

Agricultural Assessment Guide for Wisconsin Property Owners



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PREFACE

The purpose of this guide is to help owners of **agricultural** property in Wisconsin understand their real property assessments. This publication is particularly important because the Wisconsin State Constitution allows for agricultural property to be assessed *differently* than other classes.

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INTRODUCTION

How does the State Constitution address the assessment of agricultural land?

In 1974, the State Legislature amended the Rule of Uniform Taxation (Article VIII, Section 1.) in the Wisconsin Constitution to permit the preferential treatment of agricultural land. The 1995-97 Budget Act changed the standard for assessing agricultural land in Wisconsin from *market value* to *use value*.

What is the goal of use value assessment?

The goal of this legislation, known as *use value assessment*, is to protect Wisconsin's farm economy and curb urban sprawl by assessing farmland based upon its agricultural productivity, rather than its potential for development.

What is use value assessment?

Specifically, the value of agricultural land for assessment purposes was changed from *market value* to *use value*. In a use value assessment system, the **use** of the land is the most important factor in determining its assessed value.

What is the basis for use value assessment?

Use value in Wisconsin is specific to **land** only. The use value legislation passed in 1995 requires that the assessed value of farmland be based on the income that could be generated from its rental for agricultural use. Income and rental from farming are a function of agricultural capability. Because any land could theoretically be used for agricultural purposes, statutes and administrative rules limit the benefit of use value assessment to only those lands that qualify as "land devoted primarily to agricultural use."

What is the statutory authority for use value assessment?

1995 Wisconsin Act 27 created the statutory authority for use value assessment. Foremost among the changed statutes was sec. 70.32 which governs the valuation of real property.

What other issues are related to the statutory change to use value assessment?

Other significant changes relating to agricultural assessments include:

- redefining the statutory classes of real property,
- creating a Farmland Advisory Council, and the
- imposition of a penalty for changing the use of agricultural land to residential, commercial, manufacturing, or exempt.

What is the Farmland Advisory Council?

The legislation authorizing use value assessment provided for the creation of a Farmland Advisory Council. The Secretary of Revenue chairs the ten member council and its other members represent agricultural, financial, academic, assessment, environmental, and governmental interests. Section 73.03(49) outlines the duties of the Farmland Advisory Council. The law directs the council to perform the following:

- advise the Department of Revenue on the rules and guidelines for inclusion in the *Wisconsin Property Assessment Manual* regarding implementation of use value assessment of agricultural land.
- recommend to the legislature an appropriate penalty for converting agricultural land to another use.
- annually report to the legislature on the effectiveness of use value assessment as a way to preserve agricultural land and reduce its conversion to other uses.
- recommend a method of adjusting the shared revenue formula and other formulas using equalized values to compensate taxing jurisdictions adversely affected by use value assessment.
- calculate the federal land bank's 5-year average capitalization rate and per-acre values for agricultural land based on estimated income generated from rental for agricultural use.
- work cooperatively with the Governor's Interagency Land Use Council.

What are the statutory classes of real property?

Wisconsin law requires the assessor to classify land on the basis of use. Sometimes this involves a judgment of the predominant use. Effective January 1, 2004 Wisconsin Act 33 renamed the swamp and waste class of property to undeveloped and created the agricultural forest class of property. The eight statutory classifications for real property are now:

- | | |
|------------------|---------------------------|
| 1. Residential | 5. Undeveloped |
| 2. Commercial | 5m. Agricultural Forest |
| 3. Manufacturing | 6. Productive Forest Land |
| 4. Agricultural | 7. Other |

HOW WAS THE LAW CHANGED TO ALLOW USE VALUE ASSESSMENT?

Section 70.32(2)(c)(1) was repealed and recreated to more broadly define "agricultural land." (This section formerly defined bodies of water at licensed private fish hatcheries as agricultural land.) The recreated section defines agricultural land as "land, exclusive of buildings and improvements, that is devoted primarily to agricultural use, as defined by rule."

Effective January 1, 2004 Wisconsin Act 33 renumbered sec. 70.32(2)(c)1, which defines “agricultural land,” to 70.32(2)(c)1g. Sec. 70.32(2)(c)1g states “ ‘Agricultural land’ means land, exclusive of buildings and improvements and the land necessary for their location and convenience, that is devoted primarily to agricultural use as defined by rule.” Descriptions and definitions, including the definitions of “parcel of agricultural land” and “land devoted primarily to agricultural use,” are provided in the administrative rule, Chapter Tax 18, *Assessment of Agricultural Property*.

What was the use value phase-in?

When originally enacted, a provision of sec. 70.32(2r) included a freeze on agricultural assessments at their 1995 level for 1996 and 1997. Section 70.32(2r)(b) specified a 10-year incremental phase-in to use value beginning as early as 1998. The freeze was to extend until the Farmland Advisory Council made its final recommendations on how use value will be calculated. The phase-in began in 1998 as the Farmland Advisory Council completed its work on the administrative rule and valuation recommendations.

In October 1999, the Farmland Advisory Council voted to end the phase-in and move directly to full use value for the 2000 assessment year. An example of how use values are applied to a farm can be found on pages 9 and 10.

Is there a penalty for transfer of ownership or change in use?

When land that is classified as agricultural under sec. 70.32(2r) sells and remains in an agricultural use as defined by rule, there is no penalty. When land that is classified as agricultural under sec. 70.32(2r) changes use and is no longer eligible for agricultural classification the property owner is subject to a penalty under sec. 74.485. Land changing from agricultural (class 4) to undeveloped (class 5), agricultural forest (class 5m), productive forest land (class 6), or other (class 7) is not subject to penalty. Under sec. 74.485(9), the county administers the penalty.

Penalty Calculation

The penalty for change in use as stated in sec. 74.485(2) =

of acres converted **x**

The County's prior year average fair market value* of an acre of agricultural land.	Minus	The County's prior year average equalized value (use-value)* of an acre of agricultural land.	x
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- 5% (If greater than 30 acres) or
- 7.5% (If between 10 & 30 acres) or
- 10% (If less than 10 acres)

*Provided by the Department of Revenue

Penalty Payment

Payment of the penalty is provided under sec. 74.485(5). The penalty is paid to the county treasurer where the property is located no later than 30 days after the assessment of the penalty. One percent interest per month is added to penalties that are not paid timely. The county collects unpaid penalties as a special charge against the land.

Exceptions

Sec. 74.485(4)(a) states that payment is not required when the calculated penalty amounts to less than \$25 per acre. Additionally, the owner is not penalized when land has been valued under sec. 70.32(2r) and is converted to the following uses:

- Under sec. 70.32(2)(a)5 Undeveloped
- Under sec. 70.32(2)(a)5m Agricultural forest
- Under sec. 70.32(2)(a)6 Productive forest land
- Under sec. 70.32(2)(a)7 Other

Deferral

Sec. 74.485(4)(b) provides for penalty deferral. If a penalty is due under 74.485(2) the county treasurer where the property is located may defer the payment if the land will be used as agricultural under 70.32(2r) in the next tax year. If the land is not in an agricultural use in the next tax year, the owner who received a deferral shall pay the penalty plus one percent interest per month from the date of deferral to the date of payment.

Notice

When selling land classified as agricultural, the seller must inform the buyer of the following information under sec. 74.485(7).

- The land has been assessed as agricultural under 70.32(2r).
- If a penalty has been imposed upon the person selling the land.
- If a penalty payment deferral has been granted to the person selling the land.

Please refer to the frequently asked questions on page 12 for additional information. Penalty amounts by county are available at: <http://www.dor.state.wi.us/report/u.html#use>

How is use value assessment considered in full value compliance?

Section 70.05, Stats., describes the full valuation compliance requirements by which assessors must perform their work. Full valuation compliance means that the total assessed value of every major class of property in a municipality is within 10% of the classes full value at least once during a 4-year period. Section 70.05(5)(a)1m has been changed to redefine “class of property” so that it is in agreement with

the changes made to sec. 70.32(2)(a) previously described. For the purposes of monitoring assessor compliance with full value requirements under sec. 70.05, agricultural land will no longer be considered in compliance measurements. Compliance will now be measured using the following classes of property only: (1) residential, (2) commercial, and (3) the sum of undeveloped, agricultural forest, forest, and "other", and (4) personal property.

How is agricultural property assessed for 2000 and beyond?

For the 2000 assessment year and beyond, the assessment of agricultural property will be performed according to the statutory provisions in section 70.32(2r) (c). This statute requires all parcels of agricultural land "shall be assessed according to the income that could be generated from its rental for agricultural use" (i.e. the current year's full use value). Chapter Tax 18 - Subchapter II establishes the definitions and criteria for the implementation of use value assessment for agricultural land.

Why is proper classification important?

Classification is important since it affects the assessed value of land classified as agricultural, undeveloped, and agricultural forest. Therefore, assessors must carefully review the classification of all property to assure that: land classified as agricultural conforms to Section 70.32(2)(c)1g. and Chapter Tax 18, land classified as undeveloped conforms to Section 70.32(2)(c)4., and land classified as agricultural forest conforms to Section 70.32(2)(c)1d.

What is undeveloped land?

Undeveloped land is defined by statute to include bog, marsh, lowland brush, uncultivated land zoned as shoreland under s. 59.692 (Wis. Stats.) and shown as a wetland on a final map under s. 23.32 (Wis. Stats.) or other non-productive lands not elsewhere classified.

This class includes areas commonly called marshes, swamps, thickets, bogs, or wet meadows; areas with soils of the type identified on soil maps as mineral soils that are "somewhat poorly drained," "poorly drained," or "very poorly drained," or "water," and areas where aquatic or semi-aquatic vegetation is dominant. This class also includes fallow tillable land (assuming agricultural use is the land's highest and best use), road right of way, ponds, depleted gravel pits, and land that, because of soil or site conditions, is not producing or capable of producing commercial forest products.

Undeveloped land is assessed at 50% of its full value. After determining the full value of qualifying undeveloped land in accordance with sec. 70.32(1), state case law, and professionally accepted appraisal practices, the value is reduced by 50% under sec. 70.32(4).

What is agricultural forest land?

Effective for the 2005 assessment year, 2003 Wisconsin Act 230 amended the statutory definition of "agricultural forest."

Sec. 70.32(2)(c)1d now defines "agricultural forest" as land that is producing or is capable of producing commercial forest products, if the land satisfies any of the following conditions:

- The forest land is contiguous to a parcel that has been classified in whole as agricultural land. The forest land and the contiguous agricultural parcel must have the same owner. Contiguous includes separated only by a road.
- The forest land is located on a parcel that contains agricultural land for the January 1, 2004 assessment, and on January 1 of the current assessment year.
- The forest land is located on a parcel where at least 50 percent of the acreage was converted to agricultural land for the January 1, 2005, assessment year or thereafter.

"Agricultural forest" land is assessed at 50% of its full value. After determining the full value of qualifying "agricultural forest" land in accordance with sec. 70.32(1), state case law, and professionally accepted appraisal practices, the value is reduced by 50% under sec. 70.32(4).

Please refer to pages 18 through 31 for classification scenarios.

What is Agricultural (Class 4) land?

Chapter Tax 18.06 (1) offers assessors the following guidance to assist with the general classification of agricultural land:

"An assessor shall classify as agricultural land devoted primarily to agricultural use. Land devoted primarily to agricultural use shall typically bear physical evidence of agricultural use, such as furrows, crops, fencing or livestock, appropriate to the production season. If physical evidence of agricultural use is not sufficient to determine agricultural use, the assessor may request of the owner or agent of the owner such information as is necessary to determine if the land is devoted primarily to agricultural use."

Assessors should carefully consider all relevant factors and definitions when determining land classification. Chapter Tax 18 can be viewed in its entirety on pages 35 through 37 of this guide, please refer to <http://www.legis.state.wi.us/rsb/code/index.html> for any updates.

Class 4 agricultural includes all unimproved property used for farming. Agricultural land includes land that produces a crop or supports livestock. When evaluating a farm, assessors will first need to identify agricultural land. To be classified as agricultural land (Class 4), a parcel must be

“devoted primarily to agricultural use.” An “agricultural use,” as defined in s. Tax 18.05(1), includes any activity listed under the North American Industry Classification System Subsectors 111 and 112, “agricultural use” does not include growing short rotation woody trees with a growing and harvesting cycle of 10 years or less for pulp or tree stock under NAICS industry 111421. “Agricultural use” does include growing Christmas trees or ginseng, and land eligible for enrollment in specific federal and state agricultural programs. Tax 18.05(1) par. (d) & (e) list the eligible programs. Land enrolled in the following programs qualify for use-value assessment *regardless* of their agricultural use status at the time of enrollment. These programs are:

- The Conservation Reserve Program (CRP) under 7 CFR 1410
- The Conservation Reserve Program (CRP) 1986-1990 under CFR 704
- The Water Bank Program under 7 CFR 752
- The Agricultural Conservation Program under 7 CFR 1466

Land enrolled in the following programs qualify for agricultural classification provided the land was in an “agricultural use” under Tax 18.05 (1) par. (a), (b), or (c) at the time of enrollment:

- The Environmental Quality Incentives Program (EQIP) under 7 CFR 1466
- The Conservation Contract Program under 7 CFR 1951, Subpt. S, Exh. H.
- Land subject to an easement under the Stream Bank Protection Program under s. 23.094, Stats.
- Land subject to an easement under the Conservation Reserve Enhancement Program (CREP) under s. 93.70, Stats.
- Land subject to an easement under the Non-point Source Water Pollution Abatement Program under s. 281.65, Stats.

Please see pages 16 and 17 for a list of programs. For additional information concerning these federal and state programs please contact the County Land Conservation Office where the property is located, or the Wisconsin Department of Agriculture, Trade and Consumer Protection at (608) 224-4608.

How is agricultural property classified using the North American Industry Classification System?

For land to be eligible for classification as “Agricultural,” the activities and use of the property must fit the definitions contained in Chapter Tax 18.05. Normally, the agricultural use of a property will be obvious.

Chapter Tax 18.05, however, refers to Subsectors 111 & 112 of the *North American Industry Classification System (NAICS)* of the U.S. Office of Management & Budget for defining most of the “agricultural uses” that may make land eligible for classification as “agricultural” land for assessment purposes. Consulting the NAICS manual definitions will assist assessors in determining whether a particular use is an

“agricultural use” and whether the property has “land devoted primarily to agricultural use.”

Under the NAICS an “establishment” is described as “a single physical location, where business is conducted or where services or industrial operations are performed” Agricultural establishments within NAICS Sector 11--Agriculture, Forestry, Fishing, and Hunting, include those primarily engaged in agricultural production. Farms are the establishment units used for the industrial classification of agricultural production. A farm may consist of a single tract of land or several separate tracts that may be owned or leased by one or more persons, or a partnership, corporation or other type of organization. Each operating establishment is assigned an industry code based on the primary product or group of products produced.

The NAICS Manual classifies establishments primarily engaged in crop (Subsector 111) or livestock and livestock product (Subsector 112) production when production accounts for 50 percent or more of the total value of sales for its agricultural products. Within a subsector, establishments are classified to a specific industry when a product or industry family of products account for 50% or more of the establishment’s agricultural production. Several uses of land may seem agricultural on the surface, but fail to meet the definitions in Chapter Tax 18.05 and, thus, are not eligible for classification as “agricultural” land. Some examples of uses that are *not* “agricultural uses” include those listed in the following NAICS Sector and Subsector groups:

Sector 11. - Agriculture, Forestry, Fishing, and Hunting

- Growing rotation woody trees with growth & harvest cycle of 10 years or less for pulp or tree stock (111421)
- Timber Tract Operations (for sale of timber), (113110)
- Forest Nurseries (for reforestation) and Gathering of Forest Products (barks, needles, moss, etc.), (113210)
- Fishing preserves (114210)
- Game preserves (114210)
- Hunting preserves (114210)
- Game propagation (114210)
- Support Activities for Animal Production (115210)
 - boarding horses
 - training horses, except racing
- Support Activities for Forestry (115310)

Sector 54. - Professional, Scientific, & Technical Services

- Animal hospitals & shelters (541940)

Sector 61. - Educational Services

- Riding instruction academies & schools (611620)

Sector 71. - Arts, Entertainment, and Recreation

- Racetrack operation: e.g., horse, dog (711212)
- Horses, race: training (711219)
- Racing stables, operation of (711219)
- Fishing piers & lakes, operation of (713990)
- Rental of saddle horses (713990)
- Riding stables (713990)

Sector 81. – Other Services

- Boarding kennels (812910)
- Training animals (812910)

These activities are commercial, rather than agricultural. The important distinction is that land used for any of these activities is not used for the *production* of crops, livestock or livestock products.

What are the categories of Agricultural land?

Chapter Tax 18.06 (2) specifies five categories of agricultural land that assessors will use to describe the makeup of all parcels of agricultural land:

“For each legal description of property that includes a parcel of agricultural land, the assessor shall indicate on the property record card, by acreage, the category of agricultural land. Categories of agricultural land are the following:

- (a) First grade tillable cropland.
- (b) Second grade tillable cropland.
- (c) Third grade tillable cropland.
- (d) Pasture.
- (e) Specialty land.”

Within the agricultural class, nonspecialty lands are typically divided into two broad categories, *cropland* and *pasture*. Typically, the physical qualities and characteristics of the underlying soil will affect its use. Except for tillable lands used for rotational grazing the actual use of the land will support a general categorization as cropland or pasture. For croplands, the soil’s characteristics and agricultural capabilities will guide the assessor to an accurate grade categorization. Assessors should categorize agricultural land uniformly throughout the municipality.

When discovering land in an agricultural use during the production season for the prior year and not in a use contrary to agricultural on the following January 1, the assessor determines the number of acres in each category(s) of agricultural land on the parcel. Categories of agricultural land – tillable grade 1, tillable grade 2, tillable grade 3 or pasture – are based on soil productivity (yield in terms of corn). The soil productivity rating considers slope and erosion. Yield in terms of corn is a major determinant of land rent for agricultural purposes. Regardless of the crop grown, the method of valuation remains the same. It should be noted that the classification of land capable of being tilled but used as pasture is a function of capability and not use. For example, grade 2 tillable land may be used for growing corn, beans, potatoes, or grasses. Nevertheless, it remains grade 2 tillable based upon its capability to grow corn.

How is land productivity and grading determined?

Land productivity varies depending on soil texture, soil structure, complement of plant nutrients, contour, water

resources, moisture retention qualities and climate. Due to variability in productivity, the assessor should grade agricultural croplands using information available from the USDA Natural Resource Conservation Service (formerly the Soil Conservation Service). The grading of soils should suggest the differential and measurable qualities that exist between soils.

What is cropland?

Generally, cropland is tilled land used for cultivating plants or agricultural produce, such as grain, vegetables, or fruit. It not only includes plowed land, but all land in tame hay, marsh hay or in federal programs. Tillable land which is used for rotational grazing should be classified as the appropriate grade of tillable land.

An agricultural property’s greatest asset is its soil. The soil makeup in an area usually determines the type of farming. The soil conditions of a farm often dictate the amount and kind of soil management necessary to produce a crop. Soils play such an important part in rural agricultural valuation that it is essential to have a sound knowledge of soil makeup and productivity. Tillable cropland can be differentiated into three categories or grades based on soil survey production capabilities, slope, and erosion ratings.

What is 1st Grade tillable?

This category includes lands that are *tilled or otherwise planted* and used for farm purposes. Grade 1 soils consist of those soil series and types shown on the county soil survey as possessing the best production capabilities with suitable slope and erosion ratings. *It can include land planted in tame hay which is harvested for use on the farm or for sale and land enrolled in federal programs.*

What is 2nd Grade tillable?

This category includes those lands used for farm purposes that are *tilled or otherwise planted* and made up of the soil series and types shown on the county soil survey as having a lesser production capability than 1st grade soils. It also includes lands consisting of those soil types with the best production capability but whose poorer slopes and erosion ratings exclude them from being classed as 1st grade.

What is 3rd Grade tillable?

This category includes those lands used for farm purposes that are *tilled or otherwise planted* and made up of the soil series and types with the poorest productivity rating or those soils of higher productivity with the poorest slope and erosion ratings that prevent them from being classed in a higher grade. Marsh or other wild land that has never been cultivated, but from which grass is cut each production season for use on the farm or for sale, is included in this category. Land entered into federal conservation programs is typically marginal (third grade tillable) cropland.

What is Pasture?

Pasture includes open pasture, cut-over land, wooded pasture, and wetland pasture (this does not include tillable land used for rotational grazing). This category includes land devoted to agricultural use, specifically the keeping, grazing or feeding of livestock for the sale of livestock or livestock products. Most pastureland has poor soil characteristics in terms of such characteristics such as productivity, slope, drainage, erosion, or rockiness that prevent its use as tillable cropland. Distinct areas where livestock do not enter because of such things as slope, rocks, water, or natural boundaries should be classified as undeveloped or forest land. Open pasture land with 1st, 2nd, or 3rd grade soil productivity ratings should be categorized as such.

Open Pasture and Cut-over Land

Open pasture should only be classified as pasture if the soil is such that it could never be tilled due to poor soil conditions.

Cut-over land includes land which timber has been removed and its current predominant use is pasture.

Wooded and Wetland Pasture

Active grazing keeps the undergrowth in check. This condition is apparent when one compares wooded or wetland pasture with unpastured woodland or wetland. This comparison is best made during the growing season. The undergrowth in wooded pasture will be grazed down allowing the livestock to roam freely under the tree canopy. Woodland that is not grazed upon will have much thicker undergrowth.

A few paths through a wooded area is not convincing evidence that the wooded area is being pastured. Also, periodic use of wooded areas is not convincing evidence that wooded areas are being pastured. Land with non-existent or severely limited foliage or plant growth would not be considered pasture. The assessor should consider if the predominant use of woodland or wetland is pasture. The land should be pastured daily or on a reasonably periodic basis.

Marshland used for pasture should not be classified as undeveloped (Class 5). If pastured marshland is cultivated, it should be categorized as first, second, or third grade tillable cropland.

Eligibility

To be eligible as pastureland, the land must comply with the definition in Chapter Tax 18. Also, the land must meet **all** of the following requirements. The land must:

- be *primarily used for keeping, grazing or feeding livestock*
- never have been successfully plowed or if it has been plowed, cultivation has been abandoned due to poor soil characteristics

- be *devoted primarily* to and
- be *predominantly used* as pasture
- be *substantially* grazed by the livestock
- be fenced to adequately prevent animals from straying

What is considered specialty land?

Specialty land is land devoted primarily to an agricultural use that is unable to support “typical” crops or the pasturing of livestock. Two types of specialty land are lands dedicated to (a) cranberry beds and (b) aquaculture ponds. Cranberry beds are usually located on low wetlands that are not generally adaptable to other agricultural uses. Cranberries have been grown commercially in Wisconsin for more than 100 years. Early harvesting was confined to wild and natural uncultivated areas. However, over the years, the growing of cranberries has become a very specialized and technical agribusiness.

Aquaculture, also known as fish-farming, is a growing agribusiness in Wisconsin. As wild fish stocks have diminished and commercial fishing regulations increased, the domestic raising and harvesting of fish has expanded. Ponds used to raise fish are analogous to the fields and pastures that support production of crops and livestock.

What is “Other”—Class 7?

Section 70.32(2)(c)1m provides the following definition of “Other.” “ ‘Other,’ as it relates to par. (a) 7., means buildings and improvements; including any residence for the farm operator’s spouse, children, parents, or grandparents; and the land necessary for the location and convenience of those buildings and improvements.”

This statute provides that residences located directly on land that is part of the farm operator’s land are to be classed as “Other.” Residences of the farm operator’s spouse, children, parents or grandparents are eligible. Land and improvements classified “Other” are valued at their market value.

It is important to remember that “*agricultural*” land *cannot include any buildings or improvements. Only unimproved land may be classified as “agricultural.”* However, minor auxiliary improvements such as an irrigation well or shed that are not part of the farm set may only justify a nominal land allocation to “Other.”

Farm Set

The critical factor defining “Other” property is its actual use supporting a farm enterprise. If an assessor obtains verifiable evidence that buildings on a farm are used for agricultural purposes, they qualify as “Other.”

Another key characteristic that qualifies a group of buildings as “Other” is their ability to support farming. Put into the context of highest and best use analysis, the property can be classified as “Other” if the improvements meet the following criteria:

- 1) Agricultural use is reasonably probable.
 - Is this a farm set?
 - Are the improvements agricultural in nature, such as a barn, shed, or silo?
- 2) Agricultural use is legally permissible.
 - Is the land zoned agricultural?
 - Is farming or raising livestock permitted?
- 3) Agricultural use is physically possible and appropriately supported.
 - Is there adequate access to cropland and/or pasture?
- 4) Agricultural use is financially feasible.
 - Would an agricultural use adequately support the farm set?

For example, a house, barn, silos, and sheds are situated on 3 acres of an operating 40 acre farm. The farm set is used in agriculture and meets all of the highest and best use criteria. Therefore, this farm set should be classified as “Other” (Class 7).

In contrast, consider a 40 acre parcel of which 38 acres that the owner rents for an agricultural use. A house and garage are located on the other 2 acres. The house and garage are not *used* in agriculture. For purposes of this example, the house is not the residence of the farm operator's spouse, children, parents, or grandparents. In addition, the highest and best use of the house and garage by themselves cannot be agricultural as they could not support a farming operation. Therefore, the house and garage cannot be classified “Other” and should be classified as residential (Class 1). However, the remaining 38 acres are in agricultural use and qualify as agricultural (Class 4) land.

CLASSIFICATION EXAMPLES

The following examples illustrate the considerations necessary to properly classify properties containing parcels of agricultural land:

Agricultural, “Other” and Undeveloped

A farm consisting of a full quarter-quarter section (40 acres) includes an area in the southeast corner of the parcel where the house, barn, silos and auxiliary agricultural buildings are found (the building site or farm set). The parcel has 1,320 feet of road frontage on one side. The farmer owns the land to the center of the roadway. The road right-of-way extends 33 feet from the center of the road to each side. No area within the right-of-way is farmed. The building site (X) is 2.0 acres (130' x 650') with shade trees, an evergreen windbreak, and a maintained lawn.

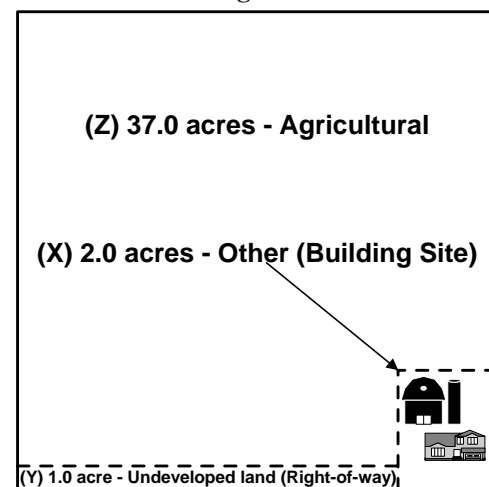
When considering the classification of this parcel, the assessor should identify improvements and land that qualify as “Other.” In Figure 1, 2.0 acres around the house and other improvements (X) are “necessary for their location and convenience.” The farmer also maintains a lawn around the

house. The lawn is “Other” as it is “in a use that is incompatible with agricultural use.”

Rural parcels frequently include land under a public roadway subject to a right-of-way easement. Only areas subject to a right-of-way easement bordering a “parcel of agricultural land” and *not* “devoted primarily to agricultural use” should be classified as Undeveloped (Class 5). Land under right-of-way easements fronting non-agricultural lands should be classified according to the adjacent use (e.g., “Other”, forest, commercial, residential). If a farmer tills or uses land subject to a right-of-way as pasture, it should be classified as Agricultural (Class 4). In this example, the area under the right-of-way (Y) fronting the building site should be classified “Other.” This arrangement is depicted in Figure 1.

In the example (Figure 1), an assessor would measure and classify this parcel as follows:

Figure 1



Undeveloped - Class 5 (Y)

Road Right-of-Way:		
1,320' x 33'	=	43,560 sq. ft.
(less Building Site road frontage)		
130' x 33'	=	(4,290) sq. ft.
Total Undeveloped:		39,270 sq. ft.
		or 0.902 acre
		rounded to 1.0 acre

Other - Class 7 (X)

Building Site:		
130' x 650'	=	84,500 sq. ft.
Total Other:		84,500 sq. ft.
		or 1.940 acres
		rounded to 2.0 acres

Agricultural - Class 4 (X)

Total Parcel Acreage:	40.0 acres
(less Other):	(2.0) acres
(less Undeveloped):	(1.0) acre
Total Agricultural:	37.0 acres

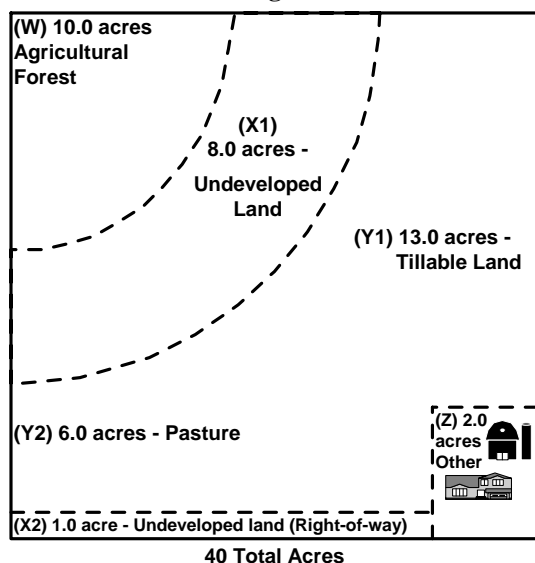
Land with several classifications

The following example illustrates a 40 acre parcel that has land of several different classifications. The area within each class has been rounded to the nearest acre. This parcel contains 10 acres of forested land (W) next to a low, swampy

area (X1 - 8 acres) bordering a small stream. The parcel's remaining acreage includes pasture, tillable cropland and a 2 acre building site. The parcel includes a 33' wide road right-of-way of nearly one acre that fronts the building site, pasture, and tillable land. Figure 2 depicts this arrangement.

An assessor would classify the parcel in Figure 2 as follows:

Figure 2



Ag Forest (W)		10 acres
Undeveloped (X)		9 acres
Lowland (X1-swamp)	8 acres	
Right-of-way (X2)	1 acre	
Agricultural (Y)		19 acres
Tillable (Y1)	13 acres	
Pasture (Y2)	6 acres	
Other - Building Site (Z)		2 acres

Only the 13 acres of tillable cropland (Y1) and the 6 acres of pasture (Y2) are devoted primarily to agricultural use and are classified as agricultural land (Class 4).

Undeveloped (Class 5) is a residual land class that includes bog, marsh, lowland brush, idle cropland and pasture, and other *non-productive* lands not elsewhere classified. Road right-of-way fronting a parcel of agricultural land is waste land if it is not used in agriculture. It is unlikely that all undeveloped land has the same market value. For example, the property in Figure 2 has two areas of undeveloped totaling 9 acres. The one acre of land found within the road right-of-way and fronting the agricultural land (X2) is not used for agriculture and has limited value to the titleholder. Therefore, the assessor should assign it a nominal or token value. The other area of undeveloped (X1) may have greater market value attributable to its potential recreational use (fishing, hunting, etc.).

Lot sale and leaseback

Last spring a farmer sold 5 acres out of a 40 acre legal description. The 5 acre parcel was recorded with a new legal description. The farmer leased the 5 acre lot back from the

new owner and continued planting the entire 40 acres in corn. This arrangement is depicted in Figure 3.

In Figure 3, the 35 acres owned and 5 acres leased by the farmer comprise the economic unit, or establishment, engaged in the agricultural activity of corn farming (NAICS Industry Number 111150). Parcel (Y) meets the definition of agricultural land and should be classified as such. Parcel (Z) is also a "parcel of agricultural land" because it is devoted primarily to agricultural use and contains no buildings or improvements.

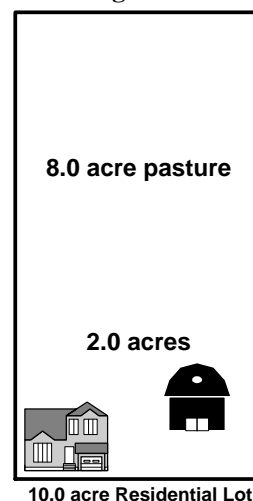
Figure 3



Residence with stable and horse pasture

Figure 4 depicts a house on a 10 acre parcel that was previously classified residential. The owners have recently built a small outbuilding to use as a stable for two horses and have devoted 8 acres of their property to pasturing the horses.

Figure 4



Although the owners use 8 acres to pasture their horses, this is not an "agricultural use" as they are not primarily engaged in the production of horses for sale. Therefore, the 8 acre pasture is not "devoted primarily to agricultural use" and cannot be classified as a parcel of agricultural land. The predominant use of the property is residential and it should continue to be classified in its entirety as such (Class 1).

Land held for future development

A real estate developer purchases a 40 acre parcel of agricultural land for future development. The developer leases the 40 acres (one legal description) back to the farmer and the entire forty acres remains in agricultural production. The 40 acres continue to be a “parcel of agricultural land” as long as it remains in agricultural production.

How is Agricultural land assessed?

A phase-in of use value assessment for agricultural lands began with the 1998 assessment. *However, the Farmland Advisory Council directed the Department of Revenue to end the phase-in and move directly to full use value assessment in 2000.*

The Farmland Advisory Council annually adopts guideline use values (per acre) for each category of agricultural land for every municipality in the state. Use value is determined by estimating the net rental income per acre from agricultural use for each category in every municipality and dividing by a localized municipal capitalization rate. Chapter Tax 18.07(1) specifies the method and data sources for determining use value.

Chapter Tax 18.07(3) directs the assessor to determine the use value of each parcel of agricultural land in their municipality based on the published guideline use values and make one or both of the following adjustments if necessary:

- 1) Tax 18.07(3)(a) allows the assessor to adjust the guideline use values to more accurately reflect the use value of the parcel of agricultural land.
- 2) To ensure equity between classes of property, Chapter Tax 18.07(3)(b) states that “assessors shall equate the use value of each parcel of agricultural land to the general level of assessment in the taxation district in which that parcel of agricultural land is located.”

How is “Other” valued?

Agricultural building sites (farm sets) and residences of the farm operator's spouse, children, parents, or grandparents, that are located directly on land that is part of the farm operator's land, now classified as “Other,” should be valued at market value according to section 70.32(1), Stats. The assessor should apply generally acceptable appraisal practices and principles when valuing “Other” property.

The valuation of farm sets presents a unique appraisal problem to the assessor. Traditionally, the best evidence of a property's market value comes from the sale of other reasonably comparable properties. A farm set, however, is part of an enterprise, a farm, and does not sell without agricultural land.

The principle of highest and best use will guide the assessor to the appropriate approach to value. For example, using

residential lot sales to value “Other” land where restrictive agricultural zoning would prohibit residential development would be inappropriate. In this case, the assessor needs to recognize the farm set as an integral part of the farm enterprise.

Analyzing agricultural sales will yield information about the market value of agricultural land and improvements that the assessor might use to determine the contributory value of a farm set.

How are municipal use values calculated?

Chapter Tax 18 contains instructions for calculating the use value of parcels of agricultural land. The published municipal guideline use values per acre must be equated to the general level of assessment by multiplying the published guideline use value for each category of agricultural land by the estimated general level of assessment in the community for the current year. Assessors should document how the ratio was estimated.

VALUATION EXAMPLE

Municipal use value example

The following example for the mythical Town of Agritown illustrates the valuation process for a parcel of agricultural land beginning in 2000. The municipal guideline use values published for the Town of Agritown are:

<u>Category</u>	<u>Guideline Value/Acre</u>
1st Grade Tillable	\$ 513
2nd Grade Tillable	\$ 431
3rd Grade Tillable	\$ 315
Pasture	\$ 126

First, the assessor analyzes the Equalization Section's Major Class Comparison Report for the municipality and establishes that the general level of assessment has dropped an average of 5 percent each year since the last revaluation. Last year the overall assessment ratio was 85%. Given the recent trend and the results from an analysis of recent sales, the assessor estimates that the overall assessment level of the community this year will be 80%. Another source of information for estimating the assessment level is Equalization's Sales Analysis Reports. For more information on estimating the general level of assessment, contact your District Supervisor of Equalization.

Multiplying each guideline use value by 0.80 gives the assessor equated guideline use values of:

<u>Category</u>	<u>Equated Value/Acre</u>
1st Grade Tillable	\$ 410
2nd Grade Tillable	\$ 345
3rd Grade Tillable	\$ 252
Pasture	\$ 101

Agricultural land valuation example

For every parcel of agricultural land in 2000 and beyond, the use value of the parcel is calculated by multiplying the current number of acres by the equated municipal use value for each category of agricultural land. Consider the example of a 68 acre parcel of agricultural land located in the mythical Town of Agridown for which equated *municipal* use values were previously calculated. For this *parcel* of agricultural land the use value is calculated as:

Category	Acres	Municipal Value/Acre	Use Value
#1	20	\$ 410	\$ 8,200
#2	21	\$ 345	\$ 7,245
#3	12	\$ 252	\$ 3,024
Pasture	15	\$ 101	\$ 1,515

Total for Parcel of Agricultural Land: \$ 19,984

If, in addition to agricultural land, a parcel includes non-agricultural classifications, the market value of the non-agricultural land and improvements are added to the assessed value of agricultural land to arrive at the parcel's total assessed value.

APPEALS

How do I appeal the assessment on my farm?

If you feel your assessment is too high, Section 70.47 of the Wisconsin Statutes grants you the right to appeal the assessment of your property. The process for appealing the assessed value of your property containing agricultural land is essentially the same as that for any other type of property. First, you should contact your assessor prior to Board of Review and arrange to see the assessment records (often referred to as the "open book") and discuss your assessment. At the "open book," the assessor, who is the local municipal valuation expert, should assist the property owner and/or Board of Review members with the calculations required to determine the use value of any parcel of agricultural land. If, after your discussion with the assessor, you are still not satisfied with your assessed value, you should make arrangements with your local clerk to appear before the Board of Review.

If I think my land should be classified as agricultural, undeveloped, or agricultural forest, can I appeal the classification?

Yes, property owners may appeal the classification of their property when it affects the assessed value. Classification affects the assessment of land classified as agricultural, undeveloped, and agricultural forest.

The assessed value of agricultural land is based on its use in agriculture, rather than its fair market value. This valuation standard is referred to as use value assessment.

Effective January 1, 2004 land classified as undeveloped or "agricultural forest" will be assessed at 50% of its full value.

After determining the full value of qualifying undeveloped land and "agricultural forest" land in accordance with sec. 70.32(1), state case law, and professionally accepted appraisal practices, the value is reduced by 50% under sec. 70.32(4).

Yes. In general, property owners may appeal their assessment every year. Traditionally, assessment appeals were limited to the value placed upon the property. Under the use value assessment system for agricultural land, and 50% of full value assessment of undeveloped and agricultural forest, classification of land can affect the total assessed value of a property. Therefore, property owners may appeal the classification of their property when it affects the assessed value. An appeal relating to agricultural classification usually relates to property in agricultural production during the prior year that has been mistakenly classified in a non-agricultural (market value) class.

How do I appeal the classification of my agricultural, undeveloped, or agricultural forest land?

The process for appealing the classification of your property is essentially the same as that for any other type of property. First, you should contact your assessor prior to Board of Review and arrange to see the assessment records (often referred to as the "open book") and discuss the classification. If, after your discussion with the assessor, you are still not satisfied with the classification of your land, you should make arrangements with your local clerk to appear before the Board of Review. For specific information on appealing your property assessment, the Department of Revenue publishes a *Property Assessment Appeal Guide For Wisconsin Real Property Owners*. Copies are available at the web site: <http://www.dor.state.wi.us/html/govpub.html> or from the Office of Assessment Practices.

If you are appealing the classification of your land that was in agricultural use during the prior year, but not classified as agricultural land for assessment purposes, you should be prepared to present evidence to the assessor or Board of Review verifying its use in agriculture. Evidence of agricultural use may include leases or financial records demonstrating an attempt to produce crops or livestock. At the "open book" and Board of Review, the assessor, who is the local municipal valuation expert, should assist the property owner and/or Board of Review members with the calculations required to determine the use value of any parcel whose classification in a non-agricultural class is challenged.

The Department of Revenue annually calculates guideline use values for every municipality in the state. The guidelines for use value assessment are available from your local assessor or the Department of Revenue at the web site: <http://www.dor.state.wi.us/report/u.html#use>. Your parcel's agricultural use value will be largely determined by (1) the

guideline use values for the current year and (2) the local level of assessment for your municipality. For an appeal of *assessed value* on agricultural land, you should familiarize yourself with the example calculation in this pamphlet.

An appeal of agricultural forest or undeveloped land should demonstrate how the land meets the appropriate definition under sec. 70.32(2)(c).

It should be noted that the residential class includes most property where the predominant use is for living purposes. The residential class also includes vacant land where the most likely use would be residential development, if the land in question does not meet the definition of agricultural use.

USE-VALUE PENALTY

FREQUENTLY ASKED QUESTIONS

1. When does a change first become subject to the new penalty?

2001 Wisconsin Act 109, section 9344, regarding the effective date of the penalty under Sec. 74.485 WI Stats says: "...first applies to the property tax assessments as of, and the penalties imposed on, January 1, 2003." We interpret this to mean that property whose classification changes during calendar 2002 and is effective 1-1-2003 is subject to this penalty. The penalty cannot be assessed until after 1-1-2003. This implies that the property must have been assessed as ag use-value as of 1-1-2002 and must have changed out of ag use after that point in time.

2. How is the new penalty calculated?

The number of acres converted is multiplied by a percentage of the difference between the average fair market value of agricultural land in the county (based on previous year sales of land over 38 acres, and intended to be used as agricultural) and the average equalized value of agricultural land (the use-value). The Department of Revenue (DOR) annually calculates these figures and provides them to the county treasurer. They are also available on the DOR's web site. Example: If 1.33 acres are converted and the less than 10 acre penalty amount is \$159.00, the penalty amount is \$211.47 (\$159.00 x 1.33 ac.).

3. Does the size of the converted land make any difference in the new penalty calculation?

Yes. Only five (5) % of the difference calculated in question #2 is multiplied by the number of converted acres if more than 30 acres are converted; by seven and one half (7½) % of that difference if 10 to 30 acres are converted; and by ten (10) % of that difference if less than 10 acres are converted. The DOR web site lists the penalties per acre based on the number of acres converted. There is no penalty if the penalty per acre would be less than \$25.00.

4. If a parcel is split, how is the size calculated in determining which penalty to apply?

The penalty and number of acres is based on the total number of acres converted by the same owner in the same municipality. For example, if a 40 acre parcel on the 1-1-2001 roll was subdivided into 8-5 acre parcels, and the person subdividing the land also converted all its use, that person would be liable for a conversion of 40 acres at the 5% penalty rate. If those parcels were sold before changing use, and a new owner who purchased and converted 1-5 acre parcel, the penalty would be calculated at the higher rate (i.e. less than 10 acres or a 10% penalty).

5. Who issues the penalty?

The county treasurer is responsible for the administration of the penalty. Based on the determination and reporting by the local assessor that certain lands have changed use, the identity of the owner at that point in time, and the number of those acres which were previously assessed as agricultural that changed use. The treasurer will assess (issue) a penalty to the person who changed the use.

6. When will the values used in the penalty calculation be available?

Penalties for changes occurring in 2005 (effective on 1/1/06) would not be able to be calculated until February of 2006. Even though **estimates** can be calculated, penalties will not be issued until the change in use is reflected on the 1/1/06 assessment roll and the property owner has the opportunity to appeal that classification change at the 2006 Board of Review.

7. Are there any exceptions to a penalty for changing use?

Yes. Converting use to categories which may be assessed as 'undeveloped' (s. 70.32(2)(a)5), 'agricultural forest' (s. 70.32(2)(a)5m), 'productive forest lands' (s. 70.32(2)(a)6), or 'other' (s. 70.32(2)(a)7) does not subject the owner to a penalty. There is no penalty if the penalty per-acre would be less than \$25.

8. If land converts to 'undeveloped', 'agricultural forest', 'productive forest lands' or 'other' for one year, and then converts to residential, is it then liable for a penalty?

No. A literal reading of the statutes is that there is only one conversion from agricultural land. If that conversion is to a favored category, the conversion is without penalty. Subsequent conversions are not relevant.

9. What is the definition of “other” as a category on the roll?

Sec. 70.32 (2) (c) 1m (2001 Wisconsin Act 109) defines ‘other’ as the “buildings and improvements; including any residence for the farm operator’s spouse, children, parents, or grandparents; and the land necessary for the location and convenience of those buildings and improvements”. The residences of eligible relatives should have been part of a parcel that the farm operator actually farmed prior to the change (statutes refer to ‘the farm operator’, not ‘a farm operator’). We interpret this to include the residence of the retired land owner if they had been farm operators. It is not necessary that the approved persons residing in the house work on the farm.

10. Would ‘other’ include a residential home built on 5 acres split off a tilled 40 acres parcel as a separate parcel and the ownership changed to the name of the farm operator’s children, parents, or grandparents before the change in use took place?

Yes, as long as the new parcel was part of the acreage previously classified as ‘agricultural.’

11. Does the assessor have to reclassify all children, parents, or grandparents’ of farm operators residential parcels to ‘other’?

No. The primary intent of this definition was to allow for residential homes of certain farm operator relatives to be built with out incurring a penalty. The existing homes, whether classified ‘residential’ or ‘other’, would not be subject to the use change, and would be valued at market value in any event. If requested by a property owner, there would be no significant reason not to reclassify those properties as ‘other’, but we suggest the assessor explain that there would be no impact to the market value analysis.

12. An existing farm operation with the majority of its land in agricultural use-value tears some buildings down; adds some additional buildings, and changes the total area used for the site. Would a penalty apply?

No. The assessor should review what acreage was treated as ‘agricultural,’ and what had been ‘other.’ If additional acreage should now be classified as other, the assessor should make the adjustment, however no penalty is due if the new classification is ‘other,’ due to the penalty ‘exception’ for changes into this class.

13. A parcel was classified as 9 acres ‘agricultural’ and 1 acre ‘other’ on 1/1/2005. The parcel had significant new construction and changed use during calendar year 2004. The assessor didn’t discover the problem until after the 2005 taxes were paid. For January 1, 2006, the parcel was classified as residential, with a significantly higher improvement value. What is to be done regarding a penalty for converting the ‘agricultural’?

The Department’s guidance regarding the missed improvements is that there can be no omitted property if an improvement assessment was on the parcel and the property owner has a paid tax receipt. Since the change in use is first reflected in 2006, we recommend no penalty be issued until after the Board of Review, allowing the property owner an opportunity to challenge the change in classification reflected on the roll. The penalty itself should be based on the year the actual change took place, in this case 2004 (effective on the Jan. 1, 2005 roll).

14. What should an assessor do when they discover land has been misclassified?

The current use value penalty is based on land ‘used’ as ‘agricultural’, and which undergoes a change in use. In this instance, the use has not changed (although the classification will). No penalty is due.

15. Is land previously classified as agricultural, which is left fallow, subject to a penalty?

Not if the assessor determines the proper new classification is ‘undeveloped’. There would be a penalty if the assessor’s determination that the classification should be ‘residential’ or ‘commercial’. Remember, however, that as of 1/1/2004, the fallow ‘undeveloped’ acreage should be valued at 50% of market value (adjusted for the assessment ratio).

16. If the property was classified agricultural on January 1 and was entered in the Managed Forest Law (MFL) program during that year, becoming exempt on the taxable roll, is a penalty due?

The assessor needs to determine what the proper classification for the acreage would be if the land were still on the roll. If that would be ‘undeveloped’, ‘agricultural forest’, ‘forest’ or ‘other’, no penalty would be due, even though the use has changed out of the agricultural classification. There may also be instances where some of the acreage remains in agricultural use, and no penalty would be due.

17. What if I disagree with the change in classification of the use of the property?

You can appeal the assessor’s classification regarding agricultural use and changes in use affecting the penalty by appealing to that year’s Board of Review.

18. When is the penalty payment due?

No later than 30 days after the penalty is assessed (issued) by the county treasurer.

19. If a change in use takes place, and a penalty would be due, but no penalty is issued, can a county treasurer issue the penalty in subsequent years?

Yes. If the property was classified as agricultural, and the use and classification changed to a use where a penalty was due, the statute provides no time limits in issuing a penalty to the owner at the time of the change.

20. Who owes the penalty?

The person who owned the property when the conversion (change in use) took place will be assessed the penalty.

21. What if it's not paid?

If payment is not made within 30 days of issuance by the county treasurer, interest will accumulate at 1% per month from the issuance date. The county can collect the unpaid penalty as a special charge against the land (this is why notice to any purchaser of the property is so important).

22. How are buyers being made aware of the potential liability for a penalty?

The statutes require that persons owning land assessed as agricultural land must notify the buyer (Sec. 74.485(7) WI Stats.). The notice must include: (1) that the land was assessed under 70.32(2r), (2) whether a penalty has been assessed, and (3) whether a penalty deferral has been granted. The current tax bill states, "Any parcel benefiting from use value assessment may be subject to a penalty under WI Statute 74.485 if the use of the parcel changes." The DOR recommends assessors place a notice in the "Notice of changed assessment" form mailing required under WI Stat. 70.365 informing the property owner that a penalty may be due for lands changing from agricultural to other uses.

23. Can the county subtract the administrative costs of collection from the penalty amount returned to the taxation districts?

No. Sec. 74.485(6) WI Stats. states "A county that collects a penalty... shall distribute 50% of the amount ...to the taxation district." There are no provisions for subtracting collection costs first.

24. Does the 1% per month added interest payment get shared 50/50 with the community, or does the county keep that income?

Any collected interest must be shared with the municipality.

25. Once a penalty becomes a special charge on the tax bill, can a county add their ½% tax to the bill, as they do with other special charges?

Yes. The statute says the bill will be collected as a special charge. That means all provisions for collecting special charges should apply, including fees and interest.

26. Do the overlying taxation jurisdictions share in the penalty?

No. The statutes provide for a 50/50 split of the penalty between the county and the taxation district (town, village or city). The taxation district's portion is split between communities in the event of an annexation (this should be coordinated by the gaining community).

PROGRAM AND ELIGIBILITY FOR USE-VALUE ASSESSMENT

Listed below are the eight programs that qualify as an agricultural use under Tax 18.05(1) paragraphs (d) and (e). As designated by a single asterisk, a devotion primarily to an agricultural use under Tax 18.05(1) paragraphs (a), (b), or (c) at the time of program enrollment is required for five of the eight programs. Examples of programs that are not a qualifying agricultural use are also provided. If land is enrolled in a program that is not a qualifying agricultural use, the land must be devoted primarily to an agricultural use under Tax 18.05(1) paragraphs (a), (b), or (c) in order to receive use-value assessment. Additional information is available at the following Internet sites.

- Chapter Tax 18: <http://www.legis.state.wi.us/rsb/code.htm>
- Agricultural Assessment Guide: <http://www.dor.state.wi.us/html/govpub.html#property>
- Programs: <http://www.dnr.state.wi.us/>, <http://datep.state.wi.us/>, <http://www.legis.state.wi.us/rsb/stats.html>, <http://www.nrcs.usda.gov/programs/>, <http://www.fsa.usda.gov/pas/publications/facts/pubfacts.htm>

Program	Abbrev.	Eligible for Use-Value	Program Description
Conservation Reserve Program	CRP	Yes	This program provides technical and financial assistance to farmers and ranchers for soil, water, and related natural resources on their lands in an environmentally beneficial and cost-effective manner.
Water Bank Program	WBP	Yes	This environmental program is designed to conserve surface waters; preserve and improve the wetlands; and increase migratory waterfowl habitat in nesting, breeding and feeding areas.
Agricultural Conservation Program	ACP	Yes	The program intends to assure a continued supply of food and fiber to maintain of a strong and healthy people and economy, and to provide for environmental conservation or enhancement.
Environmental Quality Incentives Program	EQIP	Yes*	This program intends to provide a voluntary conservation program for farmers and ranchers that promotes agricultural production and environmental quality as compatible national goals.
Conservation Contract Program	- - -	Yes*	This program enables a voluntary legal agreement that restricts the type and amount of development that may take place on portions of a landowner's property. Contracts may be established on marginal cropland and other environmentally sensitive lands for conservation, recreation, and wildlife purposes.
Stream Bank Protection Program	- - -	Yes*	This program was designed to protect water quality and the fish habitat of streams. DNR may acquire a permanent stream bank easement from the owner of land adjacent to the priority.
Conservation Reserve Enhancement Program	CREP	Yes*	This voluntarily program enrolls agricultural lands into conservation practices, such as riparian buffers, filter strips, wetland restorations, waterways and establishment of native grasslands.
Non-Point Source Water Pollution Abatement Program	- - -	Yes*	This program provides grants to local governmental units in both urban and rural watersheds.
Agricultural Management Assistance	AMA	No**	This program provides cost-share payments to agricultural producers to voluntarily address issues such as water management, water quality, and erosion control by incorporating conservation into their farming operations.
Conservation of Private Grazing Lands	CPGL	No**	This voluntary program helps owners and managers of private grazing land address natural resource concerns while enhancing the economic and social stability of grazing land enterprises and the rural communities that depend on them.
Conservation Security Program	CSP	No**	CSP is a voluntary program that provides financial and technical assistance to promote the conservation and improvement of soil, water, air, energy, plant and animal life, and other conservation purposes on Tribal and private working lands.
Conservation Technical Assistance	CTA	No**	This voluntary program provides conservation technical assistance to land-users, communities, units of state and local government, and other federal agencies in planning and implementing conservation systems.
Direct & Counter-Cyclical Payment Program	DCP	No**	The Direct and Counter-Cyclical Payment Program provides payments to eligible production on farms enrolled for the 2002 through 2007 crop years. Payments are computed using base acres and payment yields established for the farm. Direct Payments replace the Production Flexibility Contract Payments (PFC).

*Enrollment in the program will qualify the land for agricultural classification and use-value assessment if the land was devoted primarily to an agricultural use under Tax 18.05(1) paragraphs (a), (b), or (c) at the time of enrollment.

**The program is not a qualifying agricultural use. The land must be devoted primarily to an agricultural use under Tax 18.05(1) paragraphs (a), (b), or (c) to qualify for agricultural classification and use-value assessment.

PROGRAM AND ELIGIBILITY FOR USE-VALUE ASSESSMENT, cont.

Program	Abbrev.	Eligible for Use-Value	Program Description
Emergency Watershed Protection Programs	EWP	No**	The purpose of the Emergency Watershed Protection (EWP) program is to undertake emergency measures, including the purchase of flood plain easements, for runoff retardation and soil erosion prevention to safeguard lives and property from floods, drought, and the products of erosion on any watershed whenever fire, flood or any other natural occurrence is causing or has caused a sudden impairment of the watershed.
Farm and Ranch Lands Protection Program	FRPP	No**	The program provides matching funds to help purchase development rights to keep productive farm and ranchland in agricultural uses.
Forestry Incentives Program	FIP	No**	This program supports good forest management practices on privately owned, non-industrial forest lands nationwide. FIP is designed to benefit the environment while meeting future demands for wood products. Eligible practices are tree planting, timber stand improvement, site preparation for natural regeneration, and other related activities.
Grassland Reserve Program	GRP	No**	This program offers landowners the opportunity to protect, restore, and enhance grasslands on their property.
Grazing Lands Conservation Initiative	GLCI	No**	This program is a nationwide collaborative process of individuals and organizations working to maintain and improve the management, productivity, and health of the nation's privately owned grazing land.
Healthy Forests Reserve Program	HFRP	No**	The Healthy Forests Reserve Program (HFRP) is a voluntary program established for the purpose of restoring and enhancing forest ecosystems to: 1) promote the recovery of threatened and endangered species, 2) improve biodiversity; and 3) enhance carbon sequestration.
Production Flexibility Contract	PFC	No**	This program (PFC) provided payments for eligible farms during the seven-year period 1996 to 2002. PFCs were replaced by the direct payment program.
Rural Abandoned Mine Program	RAMP	No**	This program reclaims soil and water resources of rural lands adversely affected by past coal mining practices.
Soil and Water Conservation Assistance	SWCA	No**	This program provides cost share and incentive payments to farmers and ranchers to address threats to soil, water, and related natural resources, including grazing land, wetlands, and wildlife habitat. SWCA will help landowners comply with environmental laws and make beneficial, cost-effective changes to cropping systems, grazing management, nutrient management, and irrigation.
Stewardship Incentive Program (Forest Service)	SIP	No**	This program provides technical and financial assistance to encourage non-industrial private forest landowners to keep their lands and natural resources productive and healthy.
Watershed Protection and Flood Prevention Program	- - -	No**	The Watershed Protection and Flood Prevention Act (PL 83-566), August 4, 1954, as amended, authorized NRCS to cooperate with States and local agencies to carry out works of improvement for soil conservation and for other purposes including flood prevention; conservation, development, utilization and disposal of water; and conservation and proper utilization of land. NRCS implements the Watershed Protection and Flood Prevention Act through three programs: <ul style="list-style-type: none"> • Watershed Surveys and Planning • Watershed Protection and Flood Prevention Operations • Watershed Rehabilitation
Watershed Rehabilitation		No**	This program constructs dams to ensure public health and safety issues.
Wetlands Reserve Program	WRP	No**	This voluntary program encourages landowners to protect, restore, and enhance wetlands on their property
Wildlife Habitat Incentives Program	WHIP	No**	This voluntary program helps develop and improve wildlife habitat primarily on private land.

*Enrollment in the program will qualify the land for agricultural classification and use-value assessment if the land was devoted primarily to an agricultural use under Tax 18.05(1) paragraphs (a), (b), or (c) at the time of enrollment.

**The program is not a qualifying agricultural use. The land must be devoted primarily to an agricultural use under Tax 18.05(1) paragraphs (a), (b), or (c) to qualify for agricultural classification and use-value assessment.

AGRICULTURAL FOREST

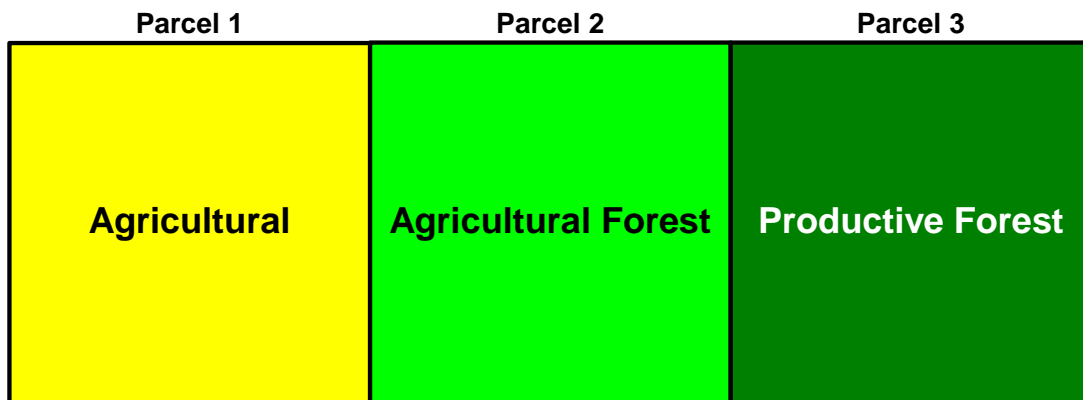
Sec. 70.32(2)(c)1d, which defines the “agricultural forest” class of property, was amended by 2003 Wisconsin Act 230. The following definition of “agricultural forest” is effective January 1, 2005.

Sec. 70.32(2)(c)1d defines “agricultural forest” as “land that is producing or is capable of producing commercial forest products, if the land satisfies any of the following conditions:

- a) It is contiguous to a parcel that has been classified in whole as agricultural land under this subsection, if the contiguous parcel is owned by the same person that owns the land that is producing or is capable of producing commercial forest products. In this subdivision, ‘contiguous’ includes separated only by a road.
- b) It is located on a parcel that contains land that is classified as agricultural land in the property tax assessment on January 1, 2004, and on January 1 of the year of assessment.
- c) It is located on a parcel at least 50 percent of which, by acreage, was converted to land that is classified as agricultural land in the property tax assessment on January 1, 2005, or thereafter.”

The following pages contain classification scenarios. For purposes of these scenarios, a solid line designates a parcel’s boundary while a dashed line designates a change in classification within the same parcel.

Please refer to the DOR web site, <http://www.dor.state.wi.us/>, for updates.

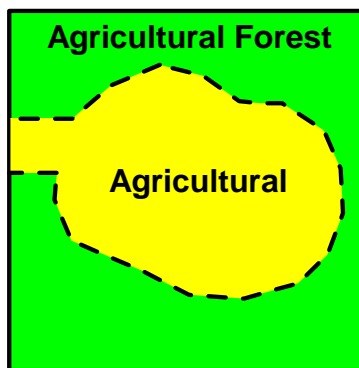
Scenario 1

Scenario 1 contains three parcels that have the same owner. Parcel 2 is classified as Agricultural Forest and is assessed at **50%** of its full value for all of the following reasons:

1. Parcel 2 is producing or is capable of producing commercial forest products.
2. Parcel 2 is contiguous to Parcel 1, a parcel that is classified in its entirety as agricultural.
3. The same person owns Parcel 2 and Parcel 1.

Parcel 3 is classified as Productive Forest and is assessed at its **full** value because it is **not** contiguous to Parcel 1.

Parcel 1 is categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value.

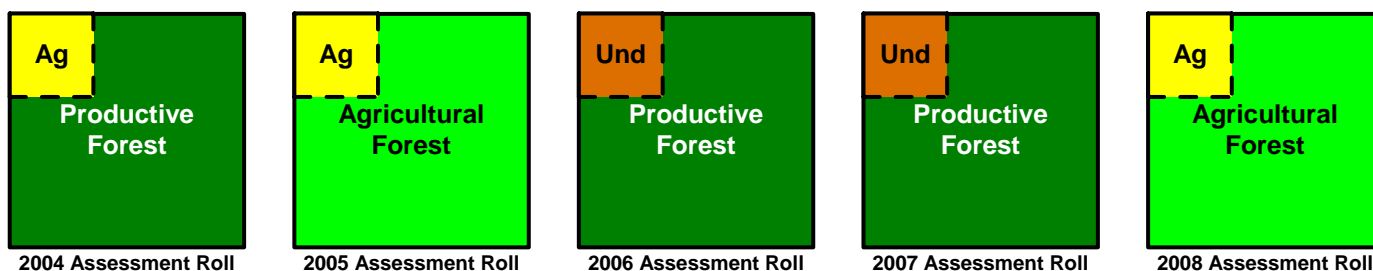
Scenario 2

Scenario 2 contains one parcel. The forest area is classified as Agricultural Forest and is assessed at **50%** of its full value for all of the following reasons.

1. The area of forest is producing or is capable of producing commercial forest products.
2. The area of forest is located on a parcel that contains land that was classified as agricultural land for the 2004 assessment year.
3. The area of forest is located on a parcel that contains land that is classified as agricultural for the current assessment year.

The agricultural acres are categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value.

Scenario 3



Scenario 3 contains one parcel over a 5-year period. The forest in 2005 and 2008 is classified as Agricultural Forest and is assessed at **50%** of its full value for all of the following reasons.

1. The areas of forest are producing or are capable of producing commercial forest products.
2. The areas of forest are located on a parcel that contains land that was classified as agricultural land for the 2004 assessment year.
3. The areas of forest are located on a parcel that contains land that is classified as agricultural for the current assessment year.

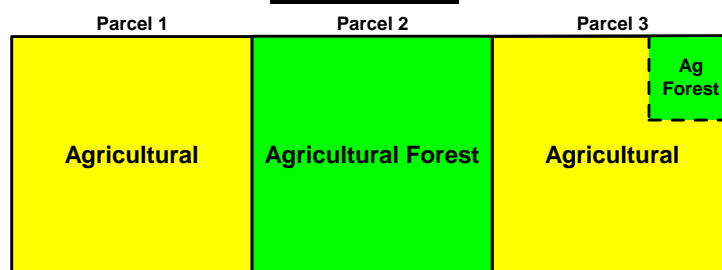
In 2004, the forest is classified as Productive Forest and is assessed at its **full** value for the following reasons.

1. The area of forest is not contiguous to a parcel that is classified in its entirety as agricultural.
2. 2003 Wisconsin Act 230 is effective for the 2005 assessment, not the 2004 assessment.

In 2006 and 2007, the forest is classified as Productive Forest and is assessed at its **full** value because the forest is not on a parcel with land that is classified as agricultural for the current assessment year. The land classified as undeveloped is assessed at **50%** of its full value.

The agricultural acres in 2004, 2005, and 2008 are categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value.

Scenario 4



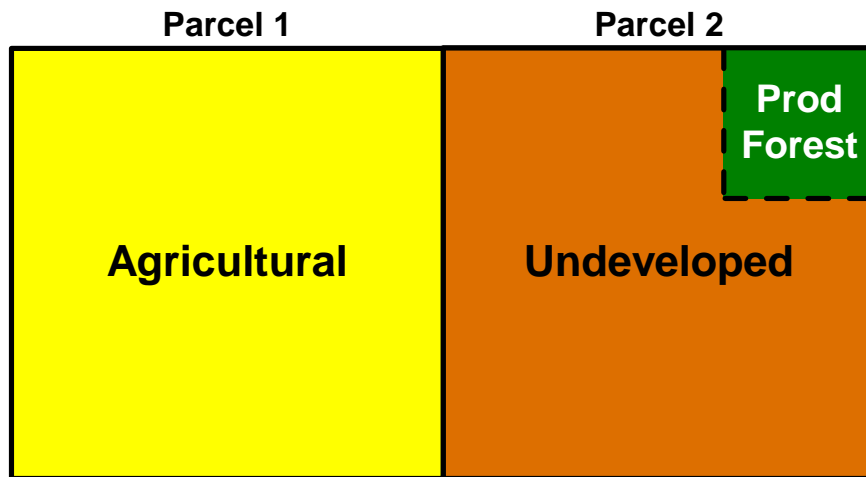
Scenario 4 contains three parcels that have the same owner. Parcel 2 is classified as Agricultural Forest and is assessed at **50%** of its full value for all of the following reasons.

1. Parcel 2 is producing or is capable of producing commercial forest products.
2. Parcel 2 is contiguous to Parcel 1, a parcel that is classified in its entirety as agricultural.
3. The same person owns Parcel 2 and Parcel 1.

The forest area of Parcel 3 is also classified as Agricultural Forest and is assessed at **50%** of its full value for all of the following reasons.

1. The area of forest is producing or is capable of producing commercial forest products.
2. The area of forest is located on a parcel that contains land that was classified as agricultural land for the 2004 assessment year.
3. The area of forest is located on a parcel that contains land that is classified as agricultural for the current assessment year.

The agricultural acres in Parcel 1 and Parcel 2 are categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value.

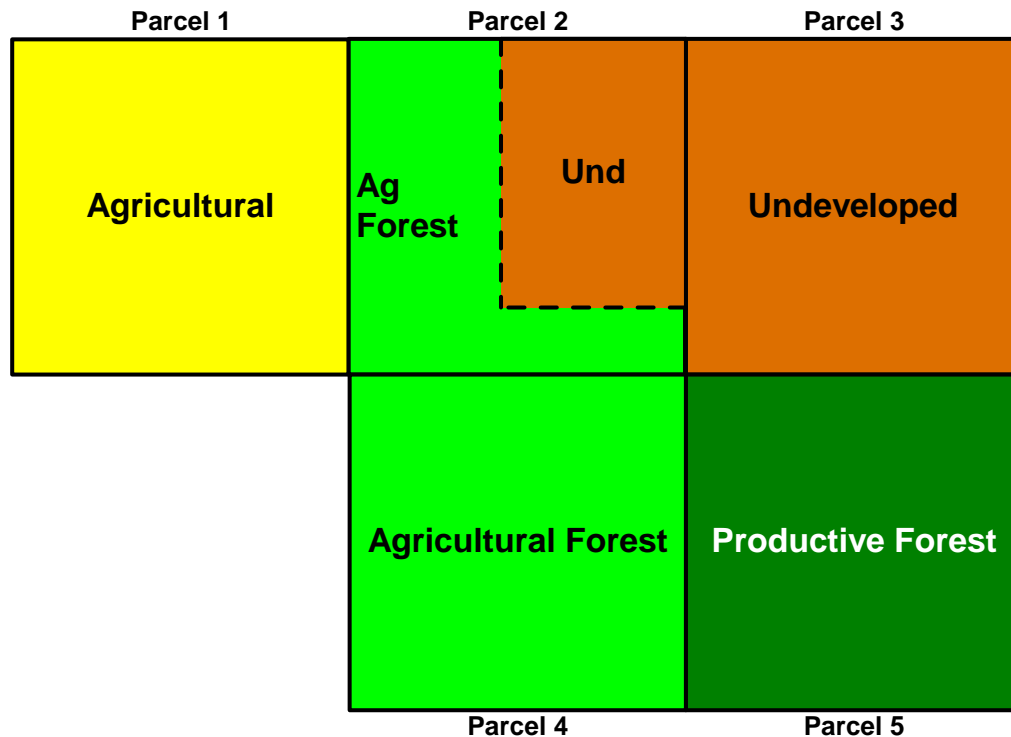
Scenario 5

Scenario 5 contains two parcels that have the same owner. The forest area of Parcel 2 is classified as Productive Forest and is assessed at its **full** value because of the following reasons.

1. The area of forest is not contiguous to a parcel that is classified in its entirety as agricultural.
2. The area of forest is not located on a parcel with land that is classified as agricultural for the 2004 assessment year and the current assessment year.

The agricultural acres in Parcel 1 are categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value.

The land classified as undeveloped in Parcel 2 is assessed at **50%** of its full value.

Scenario 6

Scenario 6 contains five parcels that have the same owner. The forest area of Parcel 3 is classified as Agricultural Forest and is assessed at **50%** of its full value for all of the following reasons.

1. The area of forest is producing or is capable of producing commercial forest products.
2. The area of forest is located on a parcel that contains land that was classified as agricultural land for the 2004 assessment year.
3. The area of forest is located on a parcel that contains land that is classified as agricultural for the current assessment year.

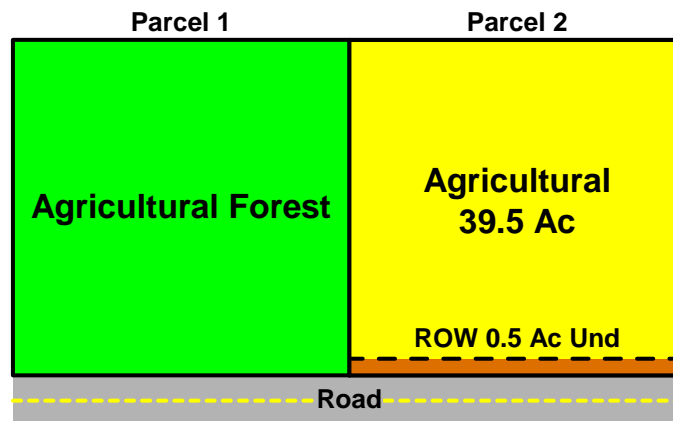
Parcel 4 is classified as Agricultural Forest and is assessed at **50%** of its full value for all of the following reasons.

1. Parcel 4 is producing or is capable of producing commercial forest products.
2. Parcel 4 is contiguous to Parcel 1, a parcel that is classified in its entirety as agricultural.
3. The same person owns Parcel 4 and Parcel 1.

Parcel 5 is classified as productive forest and is assessed at its **full** value because it is **not** contiguous to Parcel 1.

Parcel 3 and undeveloped land in Parcel 2 are assessed at **50%** of full value.

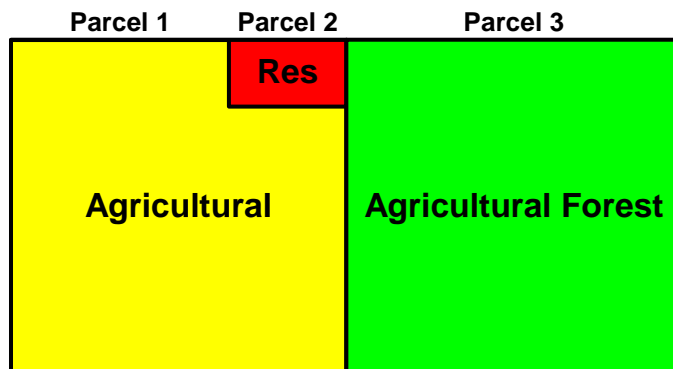
Parcel 1 is categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value.

Scenario 7

Scenario 7 contains two parcels that have the same owner. Parcel 1 is classified as Agricultural Forest and is assessed at **50%** of its full value for all of the following reasons.

1. Parcel 1 is producing or is capable of producing commercial forest products.
2. Parcel 1 is contiguous to Parcel 2, a parcel that is classified as agricultural except an area of road right of way. While this example does not involve separation by a roadway, the principle is the same. Since contiguity is maintained with the separation by a road, a road that runs adjacent to or bisects a parcel should be treated similarly.
3. The same person owns Parcel 1 and Parcel 2.

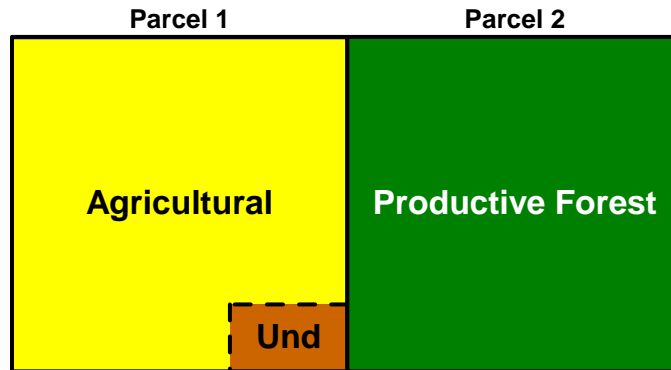
The agricultural area of Parcel 2 is categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value. The area of Undeveloped is assessed at **50%** of its full value.

Scenario 8

Scenario 8 has three parcels that have the same owner. Parcel 3 is classified as Agricultural Forest and is assessed at **50%** of its full value for all of the following reasons.

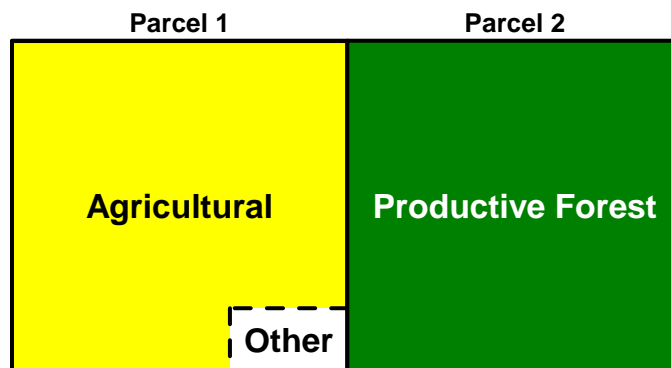
1. Parcel 3 is producing or is capable of producing commercial forest products.
2. Parcel 3 is contiguous to Parcel 1, a parcel that is classified in its entirety as agricultural.
3. The same person owns Parcel 3 and Parcel 1.

Parcel 1 is categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value. Parcel 2 is assessed at its full value.

Scenario 9

Parcel 1 and Parcel 2 are owned by the same owner. Parcel 2 is classified as Productive Forest and is assessed at its **full** value because Parcel 1 is not classified in its entirety as agricultural. Parcel 1 has multiple classifications, agricultural and undeveloped.

The class 4 acres of Parcel 1 are categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value. The Undeveloped area of Parcel 1 is assessed at **50%** of its full value.

Scenario 10

Scenario 10 contains two parcels that have the same owner. Parcel 2 is classified as Productive Forest and is assessed at its **full** value because Parcel 1 is not classified in its entirety as agricultural. Parcel 1 has multiple classifications, agricultural and “other.”

The agricultural acres of Parcel 1 are categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value. The area classified as “other” is assessed at its full value.

Scenario 11

	Parcel 1	Parcel 2	Parcel 3	Parcel 4
Ownership Line	Agricultural	Agricultural Forest	Productive Forest	Agricultural Forest
				Agricultural
	Productive Forest	Productive Forest	Productive Forest	Agricultural Forest
	Res			Agricultural
	Parcel 5	Parcel 6	Parcel 7	Parcel 8

Scenario 11 contains eight parcels with a line that designates separate ownership. The top four parcels have one owner and the bottom four parcels have a different owner. Parcel 2 is classified as Agricultural Forest and is assessed at **50%** of its full value for the following reasons:

1. Parcel 2 is producing or is capable of producing commercial forest products.
2. Parcel 2 is contiguous to Parcel 1, a parcel that is classified in its entirety as agricultural.
3. Parcel 1 and Parcel 2 are owned by the same person.

The forest areas of Parcel 4 and Parcel 8 are classified as Agricultural Forest and are assessed at **50%** of their full value for all of the following reasons.

1. The forest areas are producing or are capable of producing commercial forest products.
2. The forest areas are located on parcels that contained land that was classified as agricultural land for the 2004 assessment year.
3. The forest areas are located on parcels that contained land that is classified as agricultural land for the current assessment year.

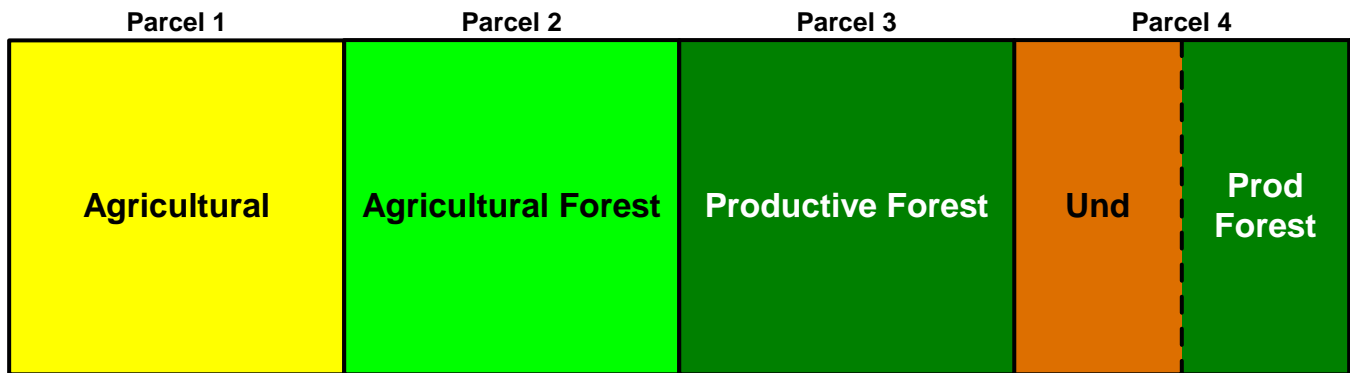
Parcel 3 is classified as Productive Forest and is assessed at its **full** value because it is not contiguous to a parcel that is classified in its entirety as agricultural.

Parcels 6 and 7 and the forest area of Parcel 5 are also classified as Productive Forest and are assessed at their **full** value. They are not contiguous to a parcel, with the same owner, that is classified in its entirety as agricultural.

Parcel 1 and the agricultural areas of Parcel 4 and Parcel 8 are categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value.

The Residential area of Parcel 5 is assessed at its full value.

Scenario 12



Scenario 12 contains four parcels that have the same owner. Parcel 2 is classified as Agricultural Forest and is assessed at **50%** of its full value for the following reasons:

1. Parcel 2 is producing or is capable of producing commercial forest products.
2. Parcel 2 is contiguous to Parcel 1, a parcel that is classified in its entirety as agricultural.
3. Parcel 1 and Parcel 2 are owned by the same person.

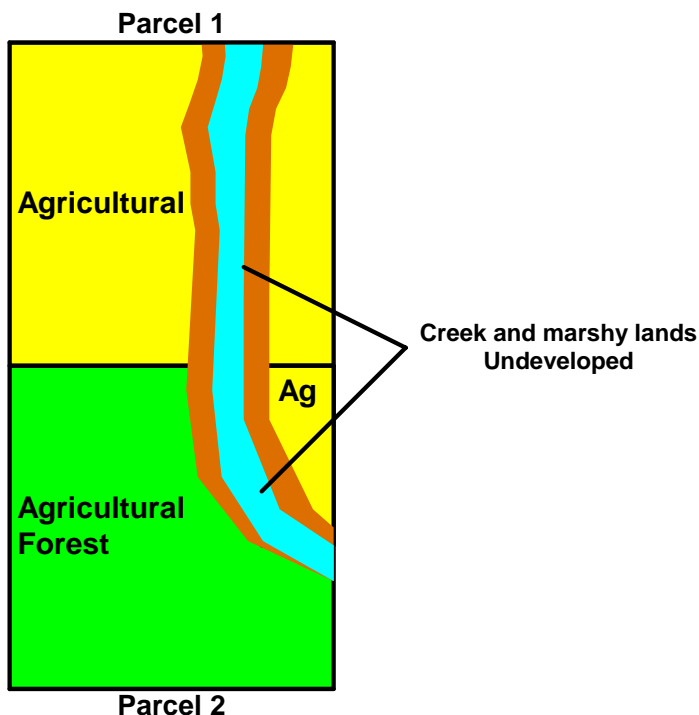
Parcel 3 and the forest area of Parcel 4 are classified as Productive Forest and assessed at **full** value for the following reasons.

1. The forest is not contiguous to a parcel that is classified in its entirety as agricultural.
2. The forest is not on a parcel with land that is classified as agricultural for the 2004 assessment year and the current assessment year.

Parcel 1 is categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value.

The Undeveloped land is assessed at **50%** of full value.

Scenario 13

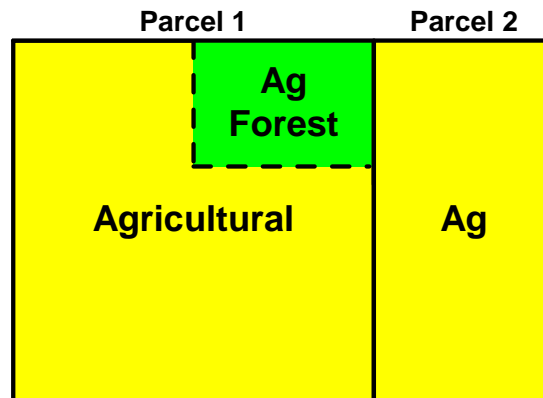


Scenario 13 contains two parcels that have the same owner. The forest area of Parcel 2 is classified as Agricultural Forest and is assessed at **50%** of its full value for all of the following reasons.

1. The forest area is producing or is capable of producing commercial forest products.
2. The forest area is located on a parcel that contained land that is classified as agricultural land for the 2004 assessment year.
3. The forest area is located on a parcel that contained land that is classified as agricultural land for the current assessment year.

The agricultural areas in Parcel 1 and Parcel 2 are categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value.

The creek and marshy land classified as Undeveloped is assessed at **50%** of its full value.

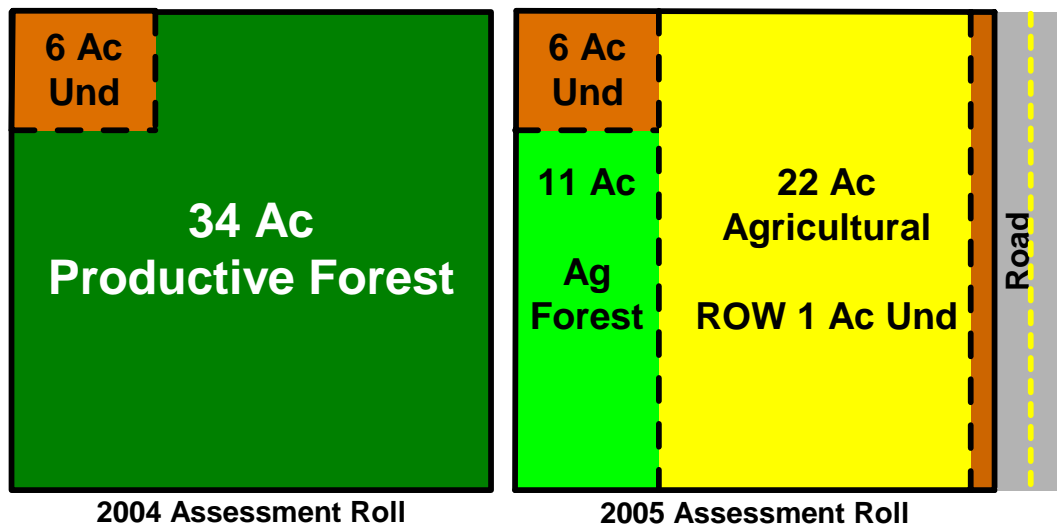
Scenario 14

Scenario 14 contains two parcels that have the same owner. The forest area of Parcel 1 is classified as Agricultural Forest and is assessed at **50%** of its full value for all of the following reasons.

1. The area of forest is producing or is capable of producing commercial forest products.
2. The area of forest is located on a parcel that contains land that was classified as agricultural land for the 2004 assessment year.
3. The area of forest is located on a parcel that contains land that is classified as agricultural for the current assessment year.

The forest area of Parcel 1 also qualifies as Agricultural Forest because it is contiguous to Parcel 2, a parcel that is classified in its entirety as agricultural, which have the same owner.

Parcel 2 and the agricultural areas in Parcel 1 are categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value.

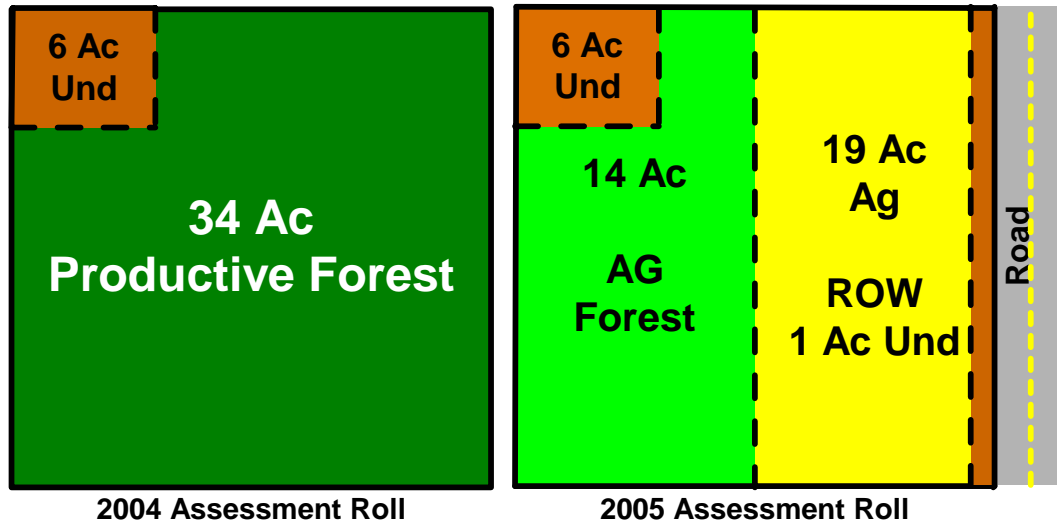
Scenario 15

Scenario 15 contains one parcel over a two-year period. The 2004 assessment illustrates 34 acres of forest that is classified as Productive Forest and is assessed at its **full** value because it is not contiguous to a parcel that is classified in its entirety as agricultural.

The 2005 assessment illustrates 11 acres of forest that is classified as Agricultural Forest and is assessed at **50%** of its full value for the following reasons.

1. The 11 acres is producing or is capable of producing commercial forest products.
2. The 11 acres is located on a parcel where 50 percent of the acreage was converted to land that is classified as agricultural for the 2005 assessment.

The agricultural area for the 2005 assessment is categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value. The Undeveloped areas for the 2004 and 2005 assessment years are assessed at **50%** of full value.

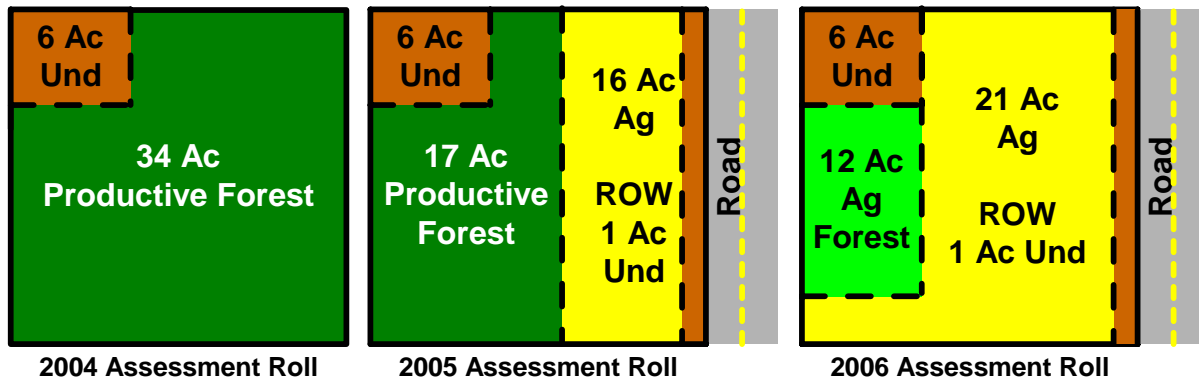
Example 16

Scenario 16 contains one parcel over a two-year period. The 2004 assessment illustrates 34 acres of forest that is classified as Productive Forest and is assessed at its **full** value because it is not contiguous to a parcel that is classified in its entirety as agricultural.

The 2005 assessment illustrates 14 acres of forest that is classified as Agricultural Forest and is assessed at **50%** of its full value for the following reasons.

1. The 14 acres is producing or is capable of producing commercial forest products.
2. The 14 acres is located on a parcel where 50 percent of the acreage was converted to land that is classified as agricultural for the 2005 assessment or thereafter. Include any road right of way when determining the 50% agricultural acreage eligibility.

The agricultural area for the 2005 assessment is categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value. The Undeveloped areas for the 2004 and 2005 assessment years are assessed at **50%** of full value.

Scenario 17

Scenario 17 contains one parcel over a three-year period. The 2004 assessment illustrates 34 acres of forest that is classified as productive forest and is assessed at its **full** value because it is not contiguous to a parcel that is classified in its entirety as agricultural.

The 2005 assessment illustrates 17 acres of forest that is classified as productive forest and is assessed at its **full** value for the following reasons.

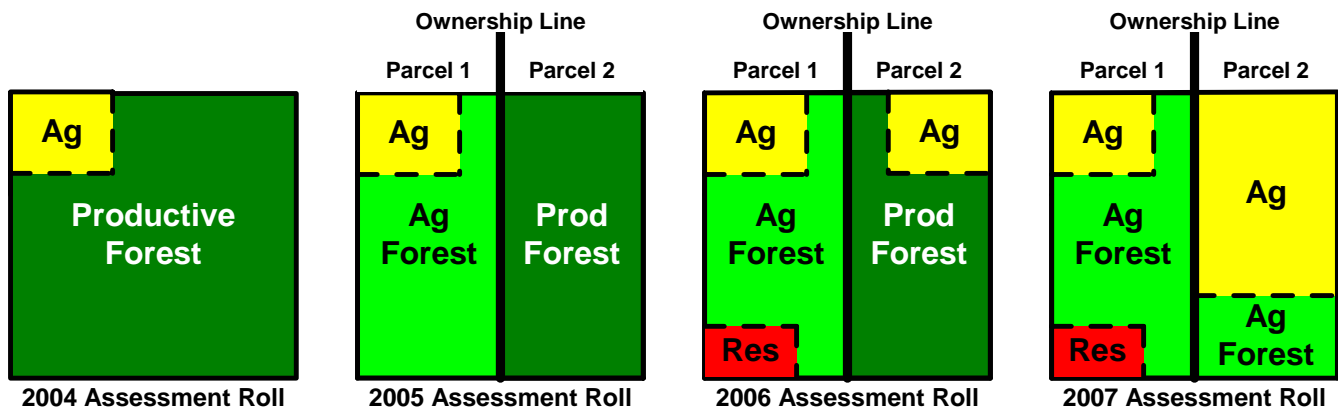
1. The 17 acres of forest is not contiguous to a parcel that is classified in its entirety as agricultural.
2. The 17 acres of forest not located on a parcel where 50 percent of the acreage was converted to land that is classified as agricultural for the 2005 assessment.

The 2006 assessment illustrates 12 acres of forest that is classified as agricultural forest and is assessed at **50%** of its full value for the following reasons.

1. The 12 acres is producing or is capable of producing commercial forest products.
2. The 12 acres is located on a parcel where 50 percent of the acreage was converted to land that is classified as agricultural for the 2006 assessment. The forest land is now classified as Agricultural Forest, because more than half the acreage of the parcel is now Agricultural.

The agricultural area for the 2005 and 2006 assessments are categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value. The undeveloped areas are assessed at **50%** of full value.

Scenario 18



2004: The 2004 assessment illustrates 35 acres of forest that is classified as productive forest and is assessed at its **full** value because it is not contiguous to a parcel that is classified in its entirety as agricultural.

2005: The 2005 assessment illustrates that the forty acre parcel has split into two twenty acre parcels with different owners. The forest in Parcel 1 is classified as agricultural forest and is assessed at **50%** of its full value for the following reasons.

1. The area of forest is producing or is capable of producing commercial forest products.
2. The area of forest is located on a parcel that contains land that was classified as agricultural land for the 2004 assessment year.
3. The area of forest is located on a parcel that contains land that is classified as agricultural for the current assessment year.

Parcel 2 is classified as productive forest and is assessed at its **full** value for the following reasons.

1. Parcel 2 is not contiguous to a parcel that is classified in its entirety as agricultural with the same owner.
2. Parcel 2 does not contain agricultural land.

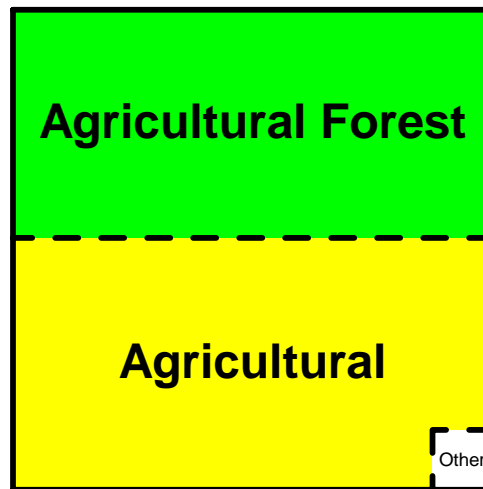
2006: The 2006 assessment illustrates a portion of Parcel 1 is now classified as residential and a portion of Parcel 2 is now classified as agricultural. The forest in Parcel 1 is classified as agricultural forest and is assessed at **50%** of its full value for the following reasons.

1. The area of forest is producing or is capable of producing commercial forest products.
2. The area of forest is located on a parcel where 50 percent of the acreage was converted to land that is classified as agricultural for the 2006 assessment. The forest land is classified as Agricultural Forest, because more than half the acreage of the parcel is now Agricultural. The residential site acres do not impact this determination.

The forest area of Parcel 2 is classified as productive forest and is assessed at its **full** value because the agricultural acreage does not constitute 50 percent of the total acreage.

2007: The 2007 assessment illustrates no changes in Parcel 1 and an increase in the amount of agricultural land for Parcel 2. The forest in Parcel 2 is classified as agricultural forest and is assessed at **50%** of its full value for the following reasons.

1. The area of forest is producing or is capable of producing commercial forest products.
- The area of forest is located on a parcel where 50 percent of the acreage was converted to land that is classified as agricultural for the 2006 assessment. The forest land is classified as Agricultural Forest, because more than half the acreage of the parcel is now Agricultural.

Scenario 19

Scenario 19 contains one parcel. The forest area is classified as Agricultural Forest and is assessed at **50%** of its full value for all of the following reasons.

1. The area of forest is producing or is capable of producing commercial forest products.
2. The area of forest is located on a parcel that contains land that was classified as agricultural land for the 2004 assessment year.
3. The area of forest is located on a parcel that contains land that is classified as agricultural for the current assessment year.

The agricultural acres are categorized as tillable grade 1, tillable grade 2, tillable grade 3 or pasture based upon soil productivity and assessed at the corresponding use-value. The area classified as “other” is assessed at its full value.

DEFINITIONS

Important definitions relating to the assessment of agricultural property in Chapter Tax 18.05 follow:

(1) **“Agricultural use”** means any of the following:

- (a) Activities included in subsector 111 Crop Production, set forth in the North American Industry Classification System (NAICS), United States, 1997, published by the executive office of the president, U.S. office of management and budget. “Agricultural use” does not include growing short rotation woody trees with a growing and harvesting cycle of 10 years or less for pulp or tree stock under NAICS industry 111421.
- (b) Activities included in subsector 112 Animal Production, set forth in the North American Industry Classification System, United States, 1997, published by the executive office of the president, U.S. office of management and budget.

Note: Subsector 111 Crop Production and subsector 112 Animal Production, set forth in the North American Industry Classification System, United States, 1997, published by the executive office of the president, U.S. office of management and budget, are reproduced in full in the *Wisconsin Property Assessment Manual* under s. 73.03(2a), Stats. In addition, copies are on file with the department, the secretary of state, and the revisor of statutes.

(c) Growing Christmas trees or ginseng.

- (d) Land enrolled in any of the following federal agriculture programs: the conservation reserve program under 7 C.F.R. 1410; the conservation reserve program 1986-1990 under 7 C.F.R. 704; the water bank program under 7 C.F.R. 752; the agricultural conservation program under 7 C.F.R. 701 or, provided that the land was in agricultural use under par. (a), (b) or (c) at the time of enrollment, the environmental quality incentive program under 7 C.F.R. 1466 or the conservation contract program under 7 C.F.R. 1951, Subpt. S, Exh. H.
- (e) Land that is subject to an easement under any of the following programs provided that the land was in an agricultural use under par. (a), (b) or (c) at the time the easement was acquired: the stream bank protection program under s. 23.094, Stats.; the conservation reserve enhancement program under s. 93.70, Stats.; or the nonpoint source water pollution abatement program under s. 281.65, Stats.

Note: The versions of pars. (a), (b), (d) and (e) are effective for the assessments as of January 1, 2001.

- (2) **“Council”** means the farmland advisory council under s. 73.03(49), Stats.
- (3) **“Department”** means the department of revenue.
- (4) **“Land devoted primarily to agricultural use”** means land in an agricultural use for the production season of the prior year, and not in a use that is incompatible with agricultural use on January 1 of the assessment year.
- (5) **“Other”** means agricultural buildings and improvements and the land necessary for their location and convenience.
- (6) **“Parcel of agricultural land”** means land, contained within a single legal description, that is devoted primarily to agricultural use.

A map of Wisconsin showing its 9 counties grouped into five Congressional Districts. The districts are labeled as follows:

- North Central District 80 (Wausau)**: Indicated by a downward arrow from the top center.
- Western District 79 (Eau Claire)**: Indicated by a rightward arrow from the left side.
- Lake Michigan District 81 (Green Bay)**: Indicated by a leftward arrow from the right side.
- Lake Winnebago District 75 (Fond du Lac)**: Indicated by a leftward arrow from the right side.
- Southern District 76 (Madison)**: Indicated by a rightward arrow from the bottom left.
- Southeastern District 77 (Milwaukee)**: Indicated by a leftward arrow from the bottom right.

The counties shown on the map include Douglas, Bayfield, Iron, Ashland, Vilas, Florence, Forest, Marinette, Burnett, Washburn, Sawyer, Price, Oneida, Lincoln, Langlade, Menominee, Oconto, Door, Kewaunee, Polk, Barron, Rusk, Chippewa, Taylor, Clark, Marathon, Shawano, Pierce, St. Croix, Dunn, Eau Claire, Pepin, Jackson, Wood, Portage, Waupaca, Outagamie, Brown, Manitowish, Buffalo, Trempealeau, Juneau, Adams, Waushara, Winnebago, Calumet, Sheboygan, La Crosse, Monroe, Marquette, Green Lake, Fond du Lac, Vernon, Seuk, Columbia, Dodge, Washington, Crawford, Richland, Dane, Jefferson, Waukesha, Milwaukee, Grant, Iowa, Lafayette, Green, Rock, Walworth, Racine, and Kenosha. Each county is labeled with its name and a number.

SOURCES OF DATA

UNITED STATES DEPARTMENT OF AGRICULTURE - *Corn Price, Corn Yield*

National Agricultural Statistics Service

Room 5829-South

Washington, DC 20250

(202) 720-3878 NASS Hotline: 1-(800)-727-9540 Internet: <http://www.usda.gov/nass/>

Economic Research Service - *Corn Cost of Production*

1800 M St., NW

Washington, DC 20036-5831

(202)-694-5050 Internet: <http://www.ers.usda.gov/>

USDA Economics and Statistics System at Mann Library, Cornell University.

USDA Data Available On-line

Internet: <http://usda.mannlib.cornell.edu/usda/usda.html>

WISCONSIN DEPARTMENT OF AGRICULTURE, TRADE, AND CONSUMER PROTECTION

Wisconsin Agricultural Statistics Service - *Corn Price, Corn Yield*

P.O. Box 8934

Madison, WI 53708-8934

Contact: Robert J. Battaglia, State Statistician

(608) 224-4848, E-mail: Robert.Battaglia@datcp.state.wi.us

Internet: <http://www.nass.usda.gov/wi/>

WISCONSIN DEPARTMENT OF REVENUE - *Capitalization Rate Components*

Division of State and Local Finance

Bureau of Assessment Practices - *Agricultural Loan Rate*

P.O. Box 8971

Madison, WI 53708-8971

Contact: Scott Shields

(608)-266-7750, E-mail: sshields@dor.state.wi.us

Local Government Services Section - *Municipal Property Tax Rate*

P.O. Box 8971

Madison, WI 53708-8971

Contact: Kenneth Schuck

(608)-266-0204, E-mail: kschuck@dor.state.wi.us

Internet: <http://www.dor.state.wi.us>

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Agricultural Lender

Agricultural Economist - UW System

Mayor - City of Appleton

Environmental Expert

Non-Agricultural Business Person

Professor of Urban Studies

Agribusiness Person

Assessor

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Chapter Tax 18

ASSESSMENT OF AGRICULTURAL PROPERTY

Subchapter I — Assessment of Agricultural Property in 1996 and in 1997

Tax 18.01	Purpose.
Tax 18.02	Definitions.
Tax 18.03	Assessment of agricultural property in 1996 and in 1997.

Subchapter II — Assessment of Agricultural Property in 1998 and Thereafter

Tax 18.04	Purpose.
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Tax 18.05	Definitions.
Tax 18.06	Land classified agricultural; categories of agricultural land.
Tax 18.07	Use—value.
Tax 18.08	Assessment of agricultural land.
Tax 18.09	Assessment of other property.

Note: Chapter Tax 18 was created as an emergency rule effective January 29, 1986. Chapter Tax 18 was repealed and recreated by emergency rule effective December 6, 1995. Chapter Tax 18 as it existed on August 31, 1996 was repealed and a new chapter Tax 18 was created effective September 1, 1996.

Subchapter I — Assessment of Agricultural Property in 1996 and in 1997

Tax 18.01 Purpose. The purpose of this subchapter is to establish definitions and provide criteria that will facilitate implementation of 1995 Wis. Act 27 with regard to the assessment of agricultural land in 1996 and in 1997.

History: Cr. Register, August, 1996, No. 488, eff. 9-1-96; am. Register, September, 1997, No. 501, eff. 10-1-97.

Tax 18.02 Definitions. In this subchapter:

(1) "Land devoted primarily to agricultural use" means land classified agricultural in 1995 that is not in a use that is incompatible with agricultural use on the assessment date. Swamp or waste or productive forest land located in villages and cities is not devoted primarily to agricultural use, and agricultural buildings and improvements and the land necessary for their location and convenience are not devoted primarily to agricultural use.

Note: Under prior law, swamp or waste or productive forest land located in villages and cities was classified agricultural because villages and cities were not permitted to classify land swamp or waste or productive forest land. Since 1995 Wis. Act 27 requires villages and cities to use the swamp or waste and productive forest land classifications, all such land located in villages or cities is to be reclassified swamp or waste or productive forest, according to the Wisconsin Property Assessment Manual.

Example: Twenty acres of agricultural land were sold and recorded as a legal description in April 1995 and commercial construction began in October 1995. Although the land was in agricultural use in 1995, this legal description is not devoted primarily to agricultural use due to the construction on the property.

Example: Under a conditional use permit, an owner opens a 15-acre sand and gravel quarry on a 40-acre legal description in October 1996. Although the 15 acres were in agricultural use during 1996, extraction of sand and gravel is incompatible with agricultural use. Therefore, the 15 acres are not devoted primarily to agricultural use and are not classified agricultural in 1997.

(2) "Other" means agricultural buildings and improvements and the land necessary for their location and convenience.

Example: A legal description of 40 acres is located in a village and includes a house and other agricultural buildings and improvements on 2 acres of land, 18 acres of forest, and 20 acres in corn. Although all 40 acres were classified agricultural in 1995, only the 20 acres of cropland are devoted primarily to agricultural use and are classified agricultural in 1996 and 1997; the house, agricultural buildings and improvements and 2 acres are classified "Other", and 18 acres are classified productive forest.

(3) "Parcel of agricultural land" means land devoted primarily to agricultural use within a single legal description.

Note: The definition of "parcel of agricultural land" used here implements the intent of the legislature in only freezing the assessment of agricultural land. If a "parcel of agricultural land" were defined as the complete legal description of a tract which was predominantly agricultural, the assessment of non-agricultural land within the legal description would be frozen. Similarly, the assessment of agricultural land within a legal description which was not predominantly agricultural would not be frozen.

Example: A farmer sells 5 acres of a 40-acre legal description in February 1996 and the 5 acres are recorded as a separate legal description. The farmer rents back the 5 acres and continues working the entire 40 acres. The 5 acres are a parcel of agricultural land. Had residential construction begun on the 5-acre legal description by January 1, 1997, it would not be a parcel of agricultural land.

Example: A residence and a 1-acre vegetable garden are located on a 2-acre legal description that was classified residential in 1995. Although the owner produces veg-

etables and may sell some at a farmer's market, the 2-acres do not constitute a parcel of agricultural land.

History: Cr. Register, August, 1996, No. 488, eff. 9-1-96; am. (intro.), Register, September, 1997, No. 501, eff. 10-1-97.

Tax 18.03 Assessment of agricultural property in 1996 and in 1997. (1) For assessments as of January 1, 1996 and January 1, 1997, the assessed value of each parcel of agricultural land is the assessed value of that parcel as of January 1, 1995.

(2) For assessments as of January 1, 1996 and January 1, 1997, property classified Other is assessed according to s. 70.32 (1), Stats.

Example: Thirty-seven acres of a 40-acre legal description are devoted primarily to agricultural use and are assessed as provided in sub. (1). The remaining 3 acres are needed for the location and convenience of a residence, barn, farm buildings, and well. The 3 acres, residence, buildings and facilities are assessed according to s. 70.32(1), Stats., on January 1, 1996 since they are classified "Other".

History: Cr. Register, August, 1996, No. 488, eff. 9-1-96.

Subchapter II — Assessment of Agricultural Property in 1998 and Thereafter

Tax 18.04 Purpose. The purpose of this subchapter is to provide definitions and procedures for the department and municipal assessors to classify certain real property as agricultural or other, and to value such property for property tax purposes, beginning in 1998.

History: Cr. Register, September, 1997, No. 501, eff. 10-1-97.

Tax 18.05 Definitions. In this subchapter:

(1) "Agricultural use" means any of the following:

(a) Activities included in subsector 111 Crop Production, set forth in the North American Industry Classification System (NAICS), United States, 1997, published by the executive office of the president, U.S. office of management and budget. "Agricultural use" does not include growing short rotation woody trees with a growing and harvesting cycle of 10 years or less for pulp or tree stock under NAICS industry 111421.

(b) Activities included in subsector 112 Animal Production, set forth in the North American Industry Classification System, United States, 1997, published by the executive office of the president, U.S. office of management and budget.

Note: Subsector 111 Crop Production and subsector 112 Animal Production, set forth in the North American Industry Classification System, United States, 1997, published by the executive office of the president, U.S. office of management and budget, are reproduced in full in the Wisconsin property assessment manual under s. 73.03(2a), Stats. In addition, copies are on file with the department, the secretary of state, and the revisor of statutes.

(c) Growing Christmas trees or ginseng.

(d) Land enrolled in any of the following federal agriculture programs: the conservation reserve program under 7 CFR 1410; the conservation reserve program 1986-1990 under 7 CFR 704; the water bank program under 7 CFR 752; the agricultural conservation program under 7 CFR 701; or, provided that the land was in agricultural use under par. (a), (b) or (c) at the time of enrollment, the environmental quality incentives program under 7 CFR 1466 or the conservation contract program under 7 CFR 1951, Subpt. S, Exh. H.

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(e) Land that is subject to an easement under any of the following programs provided that the land was in agricultural use under par. (a), (b) or (c) at the time the easement was acquired: the stream bank protection program under s. 23.094, Stats.; the conservation reserve enhancement program under s. 93.70, Stats.; or the non-point source water pollution abatement program under s. 281.65, Stats.

Note: The versions of pars. (a), (b), (d) and (e) are effective for the assessments as of January 1, 2001.

(2) "Council" means the farmland advisory council under s. 73.03 (49), Stats.

(3) "Department" means the department of revenue.

(4) "Land devoted primarily to agricultural use" means land in an agricultural use for the production season of the prior year, and not in a use that is incompatible with agricultural use on January 1 of the assessment year.

(5) "Other" means agricultural buildings and improvements and the land necessary for their location and convenience.

(6) "Parcel of agricultural land" means land, contained within a single legal description, that is devoted primarily to agricultural use.

History: Cr. Register, September, 1997, No. 501, eff. 10-1-97; am. (1) (a), (b) and (d), cr. (1) (e), Register, July, 2000, No. 535, eff. 1-1-01.

Tax 18.06 Land classified agricultural; categories of agricultural land. (1) An assessor shall classify as agricultural land devoted primarily to agricultural use. Land devoted primarily to agricultural use shall typically bear physical evidence of agricultural use, such as furrows, crops, fencing or livestock, appropriate to the production season. If physical evidence of agricultural use is not sufficient to determine agricultural use, the assessor may request of the owner or agent of the owner such information as is necessary to determine if the land is devoted primarily to agricultural use.

(2) For each legal description of property that includes a parcel of agricultural land, the assessor shall indicate on the property record card, by acreage, the category of agricultural land. Categories of agricultural land are the following:

- (a) First grade tillable cropland.
- (b) Second grade tillable cropland.
- (c) Third grade tillable cropland.
- (d) Pasture.
- (e) Specialty land.

History: Cr. Register, September, 1997, No. 501, eff. 10-1-97.

Tax 18.07 Use-value. (1) (a) Beginning in 1997 and each year thereafter, the council shall adopt and the department shall publish in the Wisconsin property assessment manual a use value per acre for each category of agricultural land, except specialty land, in each municipality. Use value per acre of specialty land shall be adopted and published for the municipalities in which specialty land is located. Use value per acre for each category of agricultural land in each municipality shall be calculated by dividing the net rental income per acre for that category of agricultural land in that municipality calculated under par. (b) by the capitalization rate for that municipality calculated under par. (c).

(b) *Net rental income per acre.* 1. Beginning in 2006 and in each year thereafter, net rental income per acre for each category of agricultural land in each municipality shall be calculated according to the income attributable to a landowner under a crop-share lease. The department shall assume a lease agreement where the income and direct operating costs are distributed equally between the landowner and farm operator. The department shall adhere to professionally accepted appraisal practices in determining gross income, cost of production, and net income that are attributable to a landowner under a crop-share lease. Net income shall be calculated by subtracting average total cost of production per acre under subd. 3. from average gross income per acre under subd. 2.

2. Beginning in 2006 and in each year thereafter, the landowner's average gross income per acre for each category of agricultural land in each municipality shall be calculated by multiplying the category's 5-year average corn yield per acre, adjusted for the typical productivity of that category, by the 5-year average corn market price per unit of output. The product shall be reduced by 50% to reflect a crop-share lease with equal distribution of income. Yield per acre shall be based on the natural resource conservation service's soil productivity indices and corn market price data shall be obtained from the Wisconsin department of agriculture, trade and consumer protection. If the natural resource conservation service and the Wisconsin department of agriculture, trade and consumer protection are unable to provide, or to provide timely, soil productivity indices and corn market price data, respectively, comparable data shall be obtained from other generally acceptable sources.

3. Beginning in 2006 and in each year thereafter, the landowner's average total cost of production per acre for each category of agricultural land shall be calculated by multiplying the category's 5-year average corn yield per acre, adjusted for the typical productivity of that category, by the 5-year average cost of corn production. In calculating the 5-year average cost of corn production, the department shall include the direct operating costs incurred by the landowner under a crop-share lease, which shall include the cost of seed, fertilizer, lime, manure, chemicals, commercial drying, interest on operating capital, or their equivalent. The total cost of corn production is reduced by 50% to reflect a crop-share lease with equal distribution of direct operating costs. The 5-year average cost of corn production shall not include those costs incurred by a farm operator under a crop-share lease, which includes labor, opportunity cost of unpaid labor, machinery, fuel, repairs, overhead, or their equivalent. An additional landowner cost for operational management, equal to 7.5% of the average gross income determined in subd. 2., shall be subtracted from the average gross income calculation in subd. 2. Property taxes are not a farm expense for purposes of calculating average total cost of production per acre. Yield per acre shall be based on the natural resource conservation service's soil productivity indices and cost of corn production data shall be obtained from the Wisconsin department of agriculture, trade and consumer protection. If the natural resource conservation service and the Wisconsin department of agriculture, trade and consumer protection are unable to provide, or to provide timely, soil productivity indices and cost of corn production data, respectively, comparable data shall be obtained from other generally acceptable sources.

(c) *Capitalization rate.* Beginning in 1997 and each year thereafter, the capitalization rate for each municipality shall be determined as follows:

1. The department shall survey each federal land credit association (FLCA) and each agricultural credit association (ACA) in Wisconsin to obtain the interest rate charged by that association for a medium-sized, 1-year adjustable rate mortgage (ARM), as of January 1 of the year prior to the assessment year. In addition, the survey shall obtain each association's stock purchase requirement, if any, for such a mortgage. The 1997 survey shall include each association's 1-year ARM rate and the stock purchase requirement for a medium-sized loan, as of January 1 for the years 1993 to 1997.

Note: If an FLCA and an ACA merge, the combined association's interest rate and stock purchase requirement shall be obtained.

Note: Each FLCA and each ACA divides loans into 3 to 5 tiers based on loan size and sets a 1-year ARM rate for each tier. Although the dollar amount of a medium-sized loan may vary among FLCAs and ACAs, each FLCA and each ACA offers medium-sized or middle tier loans at a specific 1-year ARM rate as of January 1.

2. The effective 1-year ARM rate of each FLCA and ACA for each year shall be calculated by dividing that association's 1-year ARM rate by one minus that association's stock purchase requirement as of January 1 of the same year, expressed as a percentage of the loan.

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Example: If an FLCA or an ACA has a 2% stock purchase requirement, a borrower receives \$98,000 of a \$100,000 loan. If the 1-year ARM rate is 9%, the effective rate of the loan is 9.18% [$9 / (1-.02)$].

3. The statewide average effective rate for each year shall be calculated by averaging the effective 1-year ARM rates under subd. 2.

4. The statewide average effective rate for the year prior to the assessment year shall be averaged with the statewide average effective rates for the 4 prior years to obtain a statewide 5-year moving average rate.

5. The capitalization rate for each municipality for each assessment year shall be 11% or the sum of the statewide 5-year moving average rate for the year prior to the assessment year and the net tax rate of that municipality for the property tax levy 2 years prior to the assessment year, whichever is greater.

(d) 1. Beginning in 2006 and in each year thereafter, increases and decreases in the use values for each category of agricultural land in each municipality shall be limited to the prior year's percentage change in the statewide equalized value. When determining the percentage change in the statewide equalized value, the department shall exclude the value of agricultural land and new construction. New construction shall include increases in land value due to higher land use, new subdivisions, and increases in improvement value due to new construction, completion of improvements partially assessed, remodeling and additions, and land improvements such as addition of curb, gutter, sewer, water, or their equivalent. The amount of new construction shall be reduced by the loss of land utility and loss of property value due to full or partial destruction, removal, contamination, or their equivalent.

2. The department shall calculate the percentage change from the previous year's use-values to the current year's use-values according to the formula in s. Tax 18.07 (1) (b). Increases and decreases in the use values for each category of agricultural land

in each municipality shall be limited to the percentage change determined in subd. 1. If the increase or decrease is less than the percentage change determined in subd. 1., the use value per acre will equal the value calculated by the department according to the formula in s. Tax 18.07 (1) (b).

(2) Not later than January 1, 1998, and each January 1 thereafter, the department shall provide assessors with the use value per acre for each category of agricultural land in each municipality, calculated under sub. (1). The use value per acre for each category of agricultural land in each municipality shall be published annually in the Wisconsin property assessment manual.

(3) (a) The assessor shall determine the use value of each parcel of agricultural land based on the use value per acre for that category of agricultural land in that municipality provided by the department.

(b) The assessor shall equate the use value of each parcel of agricultural land to the general level of assessment in the taxation district in which that parcel of agricultural land is located.

History: Cr. Register, September, 1997, No. 501, eff. 10-1-97; emerg. cr. (1) (b) 4., 5., and (c) 6., eff. 10-3-03; CR 03-104: cr. (1) (b) 4., 5., and (c) 6. Register April 2004 No. 580, eff. 5-1-04; emerg. cr. (1) (b) 6., 7. and (c) 7. eff. 12-29-04; CR 05-035: cr. (1) (b) 6., 7., and (c) 7. Register August 2005 No. 596, eff. 9-1-05; CR 05-063: am. (1) (b) 1. to 3., (c) 5., and (3) (a), r. (1) (b) 4. to 7., (c) 6. and 7., cr. (1) (d) 1. and 2. Register October 2005 No. 598, eff. 11-1-05.

Tax 18.08 Assessment of agricultural land. Beginning with the assessments as of January 1, 2000, the assessment of each parcel of agricultural land shall be its use-value, as determined under s. Tax 18.07 (3) (b).

History: Cr. Register, September, 1997, No. 501, eff. 10-1-97; emerg. r. and recr. eff. 11-30-99; r. and recr. Register, July, 2000, No. 535, eff. 8-1-00.

Tax 18.09 Assessment of other property. An assessor shall assess property classified as other according to s. 70.32 (1), Stats.

History: Cr. Register, September, 1997, No. 501, eff. 10-1-97.